

CITY OF FRANKLIN, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Prepared by:
Department of Finance
Russell Truell
Chief Financial Officer

**CITY OF FRANKLIN, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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CITY OF FRANKLIN, TENNESSEE
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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INTRODUCTORY SECTION



CITY OF FRANKLIN
DEPARTMENT OF FINANCE AND ADMINISTRATION
 109 THIRD AVENUE SOUTH, SUITE 111
 FRANKLIN, TENNESSEE 37064-2518
 PHONE (615) 791-1457
 FAX (615) 550-1955

November 26, 2007

To the Honorable Mayor & Aldermen and Citizens of Franklin, Tennessee:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Franklin, Tennessee for the fiscal year ended June 30, 2007.

This report consists of management's representations concerning the finances of the City of Franklin. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Franklin has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Franklin's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Franklin's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Franklin's financial statements have been audited by Alexander Thompson Arnold PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Franklin for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Franklin's financial statements for the year ended June 30, 2007 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Franklin's MD&A can be found immediately following the report of the independent auditor.

Profile of the Government

The City of Franklin, incorporated in 1799, is located in Middle Tennessee. The local economy is a well-balanced blend of financial, agricultural, wholesale, retail, manufacturing, and service industries. No single industry is critical to the region's economy. The City of Franklin covers an area of 39 square miles, and serves an estimated population of 57,000. The City of Franklin is one of the fastest growing municipalities in the State of Tennessee, with the population doubling in the last ten years. The City of Franklin is empowered to levy both real and personal properties located within its boundaries. Also, it is empowered

by State statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing board.

The City of Franklin has operated under a Mayor/Board of Aldermen form of government under state charter since 1903. Policy-making and legislative authority are vested in a governing board consisting of the mayor and 8 other members (Aldermen). The Board is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring both the government's administrator and attorney. The government's administrator is responsible for carrying out the policies and ordinances of the governing board, for preparing an annual budget, for overseeing the day-to-day operations of the government, and for nominating the heads of the various departments for the Board's approval. The Board is elected on a non-partisan basis. Board members serve four year staggered terms, with four aldermen elected at large and the remaining four elected by ward two years later. The aldermen elected by wards must live within the ward in which they represent. The Mayor also serves a term of four years.

The City of Franklin provides a full range of services, including police and fire protection and emergency services; the construction and maintenance of highways, streets, and other infrastructures; pickup and disposal of solid waste; operation of a city court; implementation of storm water regulations and remedies; operations of an inner-city trolley system, and the operation of a city-wide park system. The City of Franklin also has its own water, sewer, and reclaimed water system.

The annual budget serves as the foundation for the City of Franklin's financial planning and control. All departments of the City of Franklin are required to submit requests for budget appropriations to the City Administrator in the first quarter of the calendar year. The government's administrator, in concert with the Chief Financial Officer, uses these requests as a starting point for developing a proposed budget. After numerous meetings with department heads, the Administrator presents the budget to the Board of Mayor and Aldermen for approval.

Three meetings of the full board and a public hearing are necessary for approving the budget. The appropriated budget is prepared by fund, function, and department. At any time during the year, the Mayor may make transfers of appropriations within a department. A transfer of appropriations between departments however requires three more readings by the Board and a public hearing. Budget-to-actual comparisons are provided within this report for each individual governmental fund for which a budget has been adopted. For the General Fund, this comparison is presented beginning on page 25 as part of the basic financial statements. For the other governmental funds with appropriated annual budgets, the comparisons are presented beginning on page 56.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Franklin operates.

Local Economy. The City of Franklin currently enjoys a favorable economic environment and local indicators point to continued stability. The region has a varied commercial and industrial base, which adds to employment stability with the State's lowest rate of unemployment. The local economy is a well-balanced blend of financial, agricultural, wholesale, retail, manufacturing and service industries. Residential and commercial development in the area has spurred continuing growth.

Since the 1991 opening of the Cool Springs Galleria, one of Tennessee's largest retail shopping facilities, the mall area has continued to develop with over 3 million square feet in restaurants, service and retail stores. Sufficient vacant property, zoned for retail use, is available for further development. Twelve "Class A" office buildings have also been built in the Cool Springs area. The surrounding road network has vastly improved, nearly all at developer cost. Meanwhile, the City continues to enjoy a steady residential growth. Recently, several well known corporations have elected to relocate their national headquarters in Franklin; among them are Clarcor, Inc., Big Ideas, LLC, American Healthways (now Healthways) and Community Health Systems. Most recently, Nissan North America announced that they would construct a new headquarters building in Franklin, to be occupied in 2008 by its 1,300 employees. During fiscal year 2006, Mars Petcare announced that they would locate their national headquarters and a research facility in Franklin, and Verizon Wireless announced construction of their state headquarters facility with projected employment of over 1,300.

Long-Term Financial Planning. The governing body is considering the expansion and renovation of the existing Water Treatment Plant, doubling the capacity of the present facility, with construction proposed to begin in 2008 with completion in fiscal year 2010 subject to State approval of permits.

Several road projects are underway including McEwen Drive Interchange at I-65, extension of Carothers Parkway, and a 3 mile long widening of McEwen Drive from Mallory to Wilson Pike. These projects will be funded with a combination of federal, state and local monies. Also contemplated are a major streetscape project, development of two additional parks, and a 90,000 square foot public safety building. Some borrowing is also anticipated and may reach as high as \$65 million. It is anticipated that all other capital projects will be financed through available local funds.

Cash Management Policies and Practices. Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury and interest bearing checking accounts. The maturities of the investments range from 30 days up to four years. Interest earnings on investments for the year averaged 5.19%. This reflects the trend of the national and local economy. This compares with an average of approximately 4.98% that the LGIP (Local Government Investment Pool) earned for the same period.

Risk Management. The City of Franklin participates in the Tennessee Municipal League's Workers' Compensation, General Liability & Property Pools. The Tennessee Municipal League is a pool of self-insured cities authorized under Tennessee law.

The City has, through cooperation with the TML staff, a vigorous safety and risk management program. We also minimize accident-related losses with our liability insurance by paying a \$10,000 deductible on all claims.

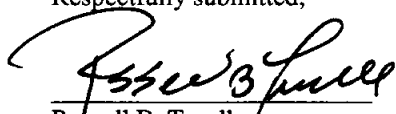
Pension and other post-employment benefits. The City of Franklin sponsors a single-employer hybrid defined benefit pension plan plus a cash balance account for all employees. Employees hired after July 1, 1995 are required to contribute to either a cash balance account or a money purchase plan with ICMA (RC). Each year an independent actuary calculates the amount of the annual contribution that the City of Franklin must make to the pension plan to ensure that the plan will be able to meet its obligations to retired employees on a timely basis. In prior years, as a matter of policy, the City of Franklin fully funded each year's annual required contribution to the pension plan as determined by the actuary. During 2003, however major changes were made to the plan regarding the vesting schedule, service requirements, and benefit formula. Due to the significant cost of these changes, the City of Franklin increased its contribution rate substantially since 2004 in order to fully fund the actuarially determined amount. Unfunded liability that resulted from the changes will be funded over the next decade as part of the annual required contribution calculated by the actuary. Modifications made to the Plan during fiscal year 2007 offset some of the 2003 changes and apply to all employees hired after July 1, 2007. This plan is available to employees who work a minimum of 30 hours per week, are 21 years of age and have been employed by the City for one year. Additional information on the City of Franklin's Pension Plan can be found in notes beginning on page 49. The City also offers limited health insurance benefits to employees who retire before they reach the age of 65. An actuarial study has been conducted identifying an unfunded liability of approximately \$3 million. The City of Franklin has established a reserve as of June 30, 2007 of \$699,930, which is anticipated to be the amount needed to make two annual payments towards satisfying the liability. The Board of Mayor and Aldermen has approved by resolution the establishment of a trust to hold funds for this purpose.


Awards and Acknowledgements. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Franklin for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the sixteenth consecutive year that the government received this prestigious award. In order to be awarded a Certificate of Achievement, the government is required to publish an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements. The Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the Mayor and Board of Aldermen, preparation of this report would not have been possible.

Respectfully submitted,


Russell B. Truell
Chief Financial Officer


James R. Johnson
City Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Franklin
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Ronald J. Hawn".

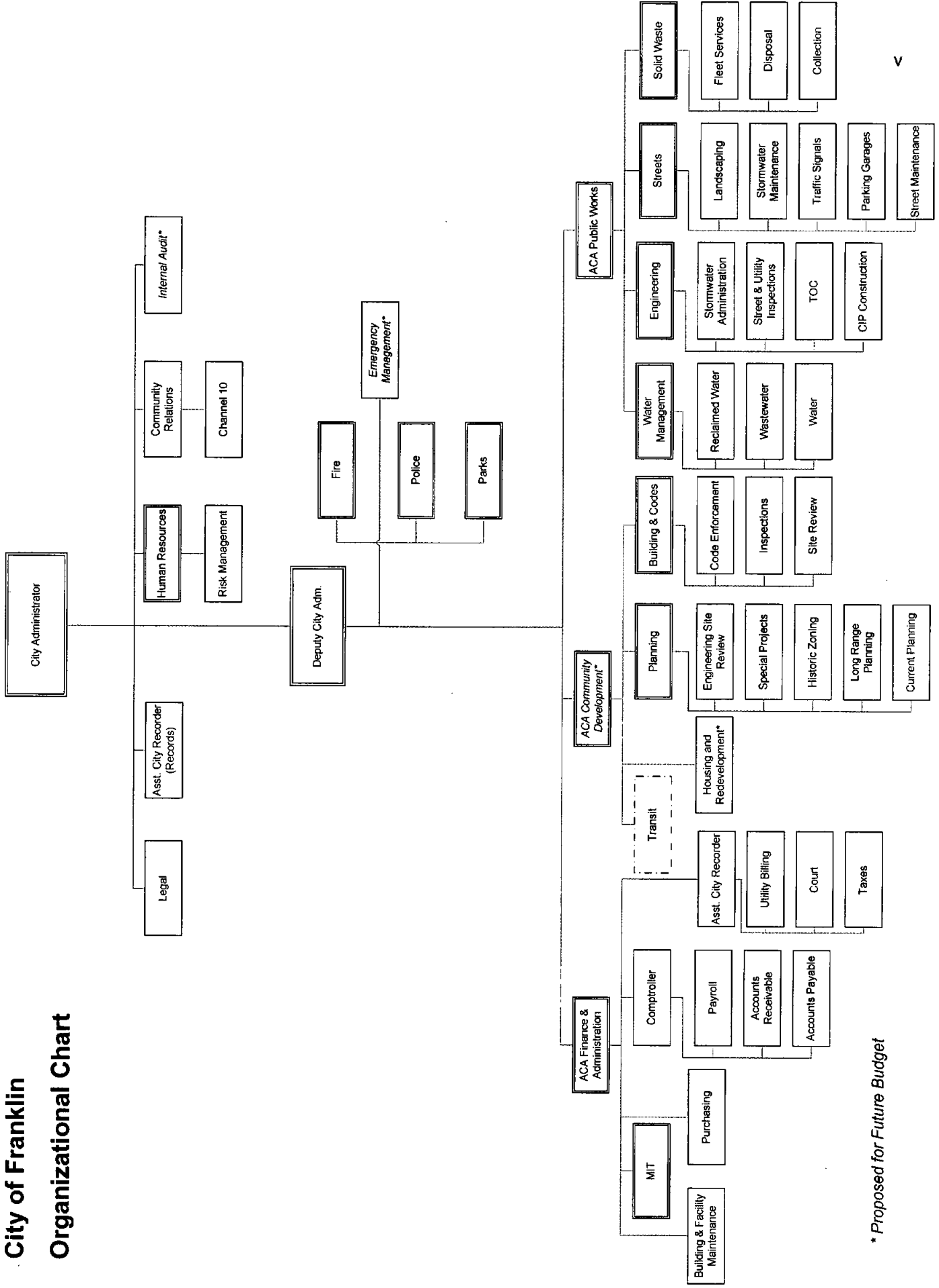
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

City of Franklin

Organizational Chart



* Proposed for Future Budget

**OFFICIALS OF THE
CITY OF FRANKLIN, TENNESSEE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

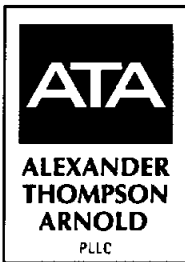
Elected Officials:

Mayor	Tom Miller
Alderman	Ernie Bacon
Alderman (Vice Mayor)	Beverly Burger
Alderman	Dan Klatt
Alderman	Robert Kriebel
Alderman	Pam Lewis
Alderman	Dana McLendon III
Alderman	Dennis Phillips
Alderman	Dodson Randolph

City Officials:

City Administrator	Jay Johnson
Chief Financial Officer	Russell Truell

FINANCIAL SECTION



Certified Public Accountants

227 Oil Well Road
Jackson, TN 38305

Telephone: (731) 427-8571
Fax: (731) 424-5701

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Members of:
American Institute of Certified Public Accountants
Governmental Audit Quality Center – AICPA
Tennessee Society of Certified Public Accountants
Center for Public Company Audit Firms
Employee Benefit Plan Audit Quality Center – AICPA

www.atacpa.net

Independent Auditor's Report

Board of Mayor and Aldermen
City of Franklin, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Tennessee (the City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison statements for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions, laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 11 and the required supplementary information on page 53 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

Milan, TN
McKenzie, TN
Paris, TN
Trenton, TN
Union City, TN

Board of Mayor and Aldermen
City of Franklin, Tennessee

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, the budgetary comparison schedules included as other supplementary information, supplementary schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the budgetary comparison schedules included as other supplementary information, and supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script, appearing to read "Alexander Thompson".

Certified Public Accountants
Jackson, Tennessee
November 26, 2007

Management's Discussion and Analysis

As management of the City of Franklin, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Readers are encouraged to consider the information presented here in conjunction with the Letter of Transmittal, which can be found on pages i through iii of this report.

Financial Highlights:

- The assets of the City of Franklin exceeded its liabilities at the close of the most recent fiscal year by \$517,675,441, compared to \$463,604,032 (as restated) in the previous fiscal year. Of this amount, \$62,740,708 (unrestricted net assets) may be used to meet government's ongoing obligations to citizens and creditors.
- As the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$52,911,864, an increase of \$12,938,694 in comparison to the prior year of \$39,973,170 (as restated). Approximately \$52,617,284 of that total is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance in the General Fund was \$30,089,431, or 67% of General Fund expenditures (of \$45,162,660).
- The City's total debt increased by the net amount of \$14,953,596 (from \$85,936,662 to \$100,890,258) during the current fiscal year. The key factor in this increase was a new general obligation issue of \$20,000,000 for capital projects.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the City of Franklin's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The Government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over periods of time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Franklin include general government, public safety, highways and streets, sanitation, economic development, and cultural and recreation. The *government-wide financial statements* can be found on pages 12 through 14 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Franklin, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Overview of the Financial Statements (Continued):

Governmental Funds. Governmental funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of spend-able resources, as well as on balances of spend-able resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintained eleven individual governmental funds during 2007. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Multi-Purpose Capital Project Fund, which are considered to be major funds. Data from the other nonmajor governmental funds is combined into a single, aggregated presentation in the form of combining statements on pages 54 and 55 of this report.

The City of Franklin, Tennessee adopts an annual appropriated budget for its General fund and special revenue funds. A budgetary comparison has been provided for the General Fund on pages 25 through 32 and for the special revenue funds on pages 56 through 63 to demonstrate compliance with this budget.

The *basic governmental fund financial statements* can be found on pages 15 through 19 of this report.

Proprietary Funds. The City of Franklin maintains one proprietary fund. An enterprise fund is used to report the same functions presented in the business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer, and reclaimed water operations. No internal service funds were used during the year covered by this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer Fund, which is considered to be a major fund. The *basic proprietary fund financial statements* can be found on pages 20 through 22 of this report.

Fiduciary Funds. A fiduciary fund is used to account for resources held for the benefit of parties outside the government. The City uses a fiduciary fund to account for its pension plan. The fiduciary fund is not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used in proprietary funds. The *basic fiduciary fund financial statements* can be found on pages 23 through 24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 through 52 of this report.

Financial Analysis of the Financial Statements:

Government-wide Financial Analysis

Over time, as noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the City of Franklin, assets exceeded liabilities by \$517,675,441 at the close of the most recent fiscal year.

Financial Analysis of the Financial Statements (Continued):**City of Franklin's Net Assets**

	Governmental Activities		Business-Type Activities	
	<u>2007</u>	<u>2006*</u>	<u>2007</u>	<u>2006*</u>
Current and other assets	70,739,692	55,353,440	21,188,379	22,997,208
Capital assets, net of accumulated depreciation	423,503,555	368,575,885	128,003,431	129,969,880
Total Assets	494,243,247	423,929,325	149,191,810	152,967,088
Long-term liabilities outstanding	67,432,513	50,116,829	37,540,631	38,862,818
Other liabilities	17,828,143	15,330,823	2,958,329	8,981,911
Total Liabilities	85,260,656	65,447,652	40,498,960	47,844,729
Net Assets:				
Invested in capital assets, net of related debt	360,565,368	322,552,483	92,918,459	91,165,067
Restricted	1,450,906	1,195,948	-	-
Unrestricted	46,966,317	34,733,242	15,774,391	13,957,292
Total Net Assets	408,982,591	358,481,673	108,692,850	105,122,359

* As restated

By far the largest portion of the City's net assets, \$453,483,827, or 87.6%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net assets, \$1,450,906, or .3%, represents resources that are subject to external restriction on how they may be used. The remaining balance of \$62,740,708, or 12.1%, is unrestricted net assets that may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets. The same situation held true for the prior year.

The government's net assets increased by \$54,071,409 during the fiscal year. Approximately 74% of this increase is attributed to capital assets contributed by developers for governmental activities in the aggregate amount of \$39,942,525. A significant portion of the remaining increase represents the increase in continued revenue sources.

Governmental policy continues to recognize that local revenue sources must be the foundation for providing basic public services rather than depending on uncertain Federal and State sources. To this end, it is vitally important to continue efforts to seek balanced diversity, equity, and efficiency in local revenue systems to better accommodate future change.

Financial Analysis of the Financial Statements (Continued):**Governmental Activities**

Governmental activities increased the City's net assets by \$50,500,918. Key elements of this increase are as follows:

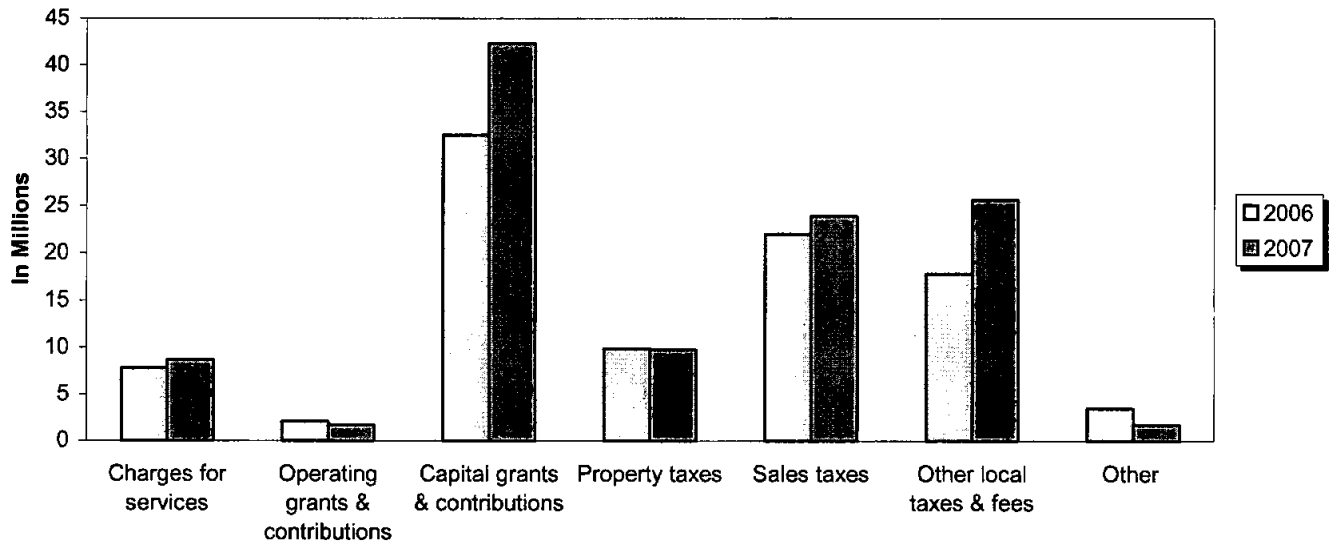
	City of Franklin's Changes in Net Assets			
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	2007	2006 *	2007	2006 *
Revenues:				
Program revenues:				
Charges for services	8,674,808	7,789,932	13,651,464	13,183,105
Operating grants & contributions	1,768,421	2,095,578	-	-
Capital grants & contributions	42,284,692	32,471,262	6,477,369	3,371,583
General revenues:				
Property taxes	9,832,508	9,880,639	-	-
Sales taxes	23,885,264	22,005,703	-	-
Other taxes and fees	25,589,305	17,858,017	-	-
Other	1,663,403	3,499,973	820,123	868,311
Total Revenues	113,698,401	95,601,104	20,948,956	17,422,998
Expenses:				
General government:				
General	4,976,177	12,312,610	-	-
Administration	1,250,834	1,195,689	-	-
City recorder	984,697	305,395	-	-
Police	12,704,967	9,891,449	-	-
Fire	10,065,274	9,693,129	-	-
Highways and streets	12,825,296	8,846,698	-	-
Engineering	1,033,507	731,762	-	-
Sanitation	5,909,657	6,068,689	-	-
Transit	1,112,289	-	-	-
Storm water	1,160,588	682,426	-	-
Parks	744,627	1,370,912	-	-
Maintenance	381,635	278,848	-	-
Planning	1,079,229	1,009,100	-	-
Codes	1,735,274	1,340,976	-	-
Court	241,389	197,477	-	-
Human resources	653,686	655,974	-	-
Channel 10	119,458	87,641	-	-
Finance	986,677	787,936	-	-
Legal	134,768	-	-	-
Purchasing	172,489	-	-	-
Management information & technology	2,808,228	1,569,736	-	-
Interest expense on long-term debt:	2,116,737	1,605,208	-	-
Water & sewer:	-	-	17,378,465	17,173,845
Total Expenses	63,197,483	58,631,654	17,378,465	17,173,845
Changes in Net Assets	50,500,918	36,969,450	3,570,491	249,153
Net Assets, Beginning of year, as restated	358,481,673	321,512,223	105,122,359	104,873,206
Net Assets, End of Year	408,982,591	358,481,673	108,692,850	105,122,359

* As restated

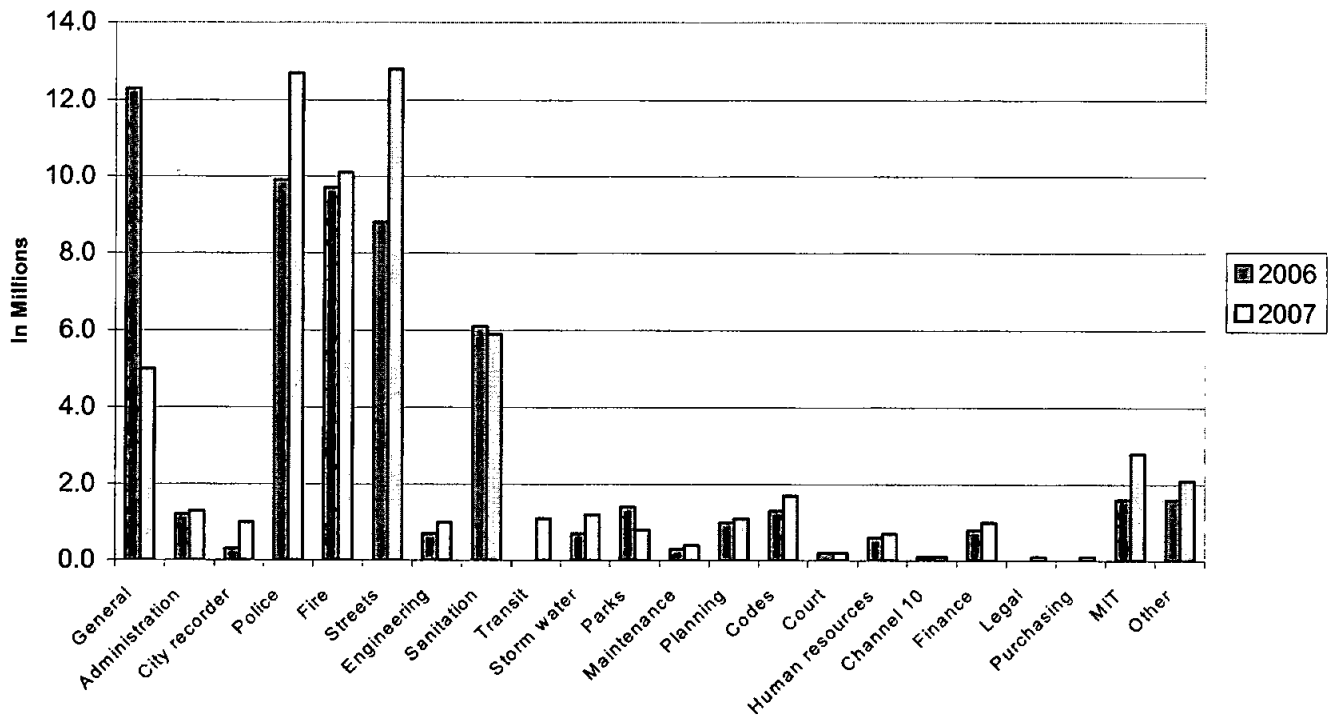
Financial Analysis of the Financial Statements (Continued):

For the most part, increases in costs paralleled inflation and growth in the demand for services. The overall increase in current expenses of governmental activities amounted to approximately 8%. Revenues increased approximately 19% due primarily from capital contributions from developers.

Revenues – Governmental Activities



Expenses – Governmental Activities

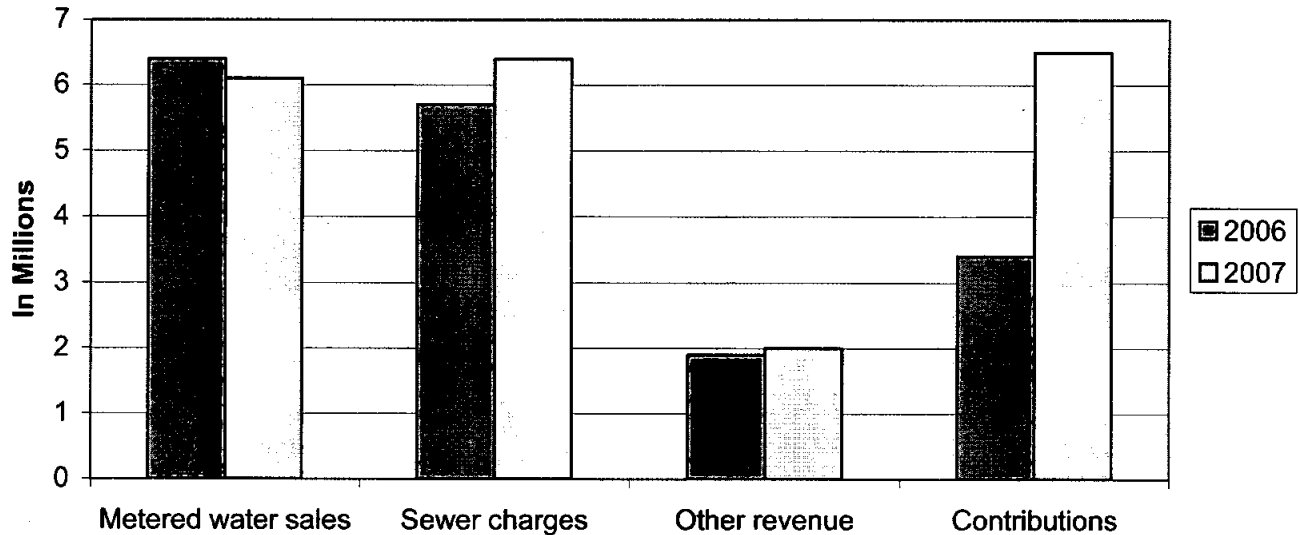


Financial Analysis of the Financial Statements (Continued):

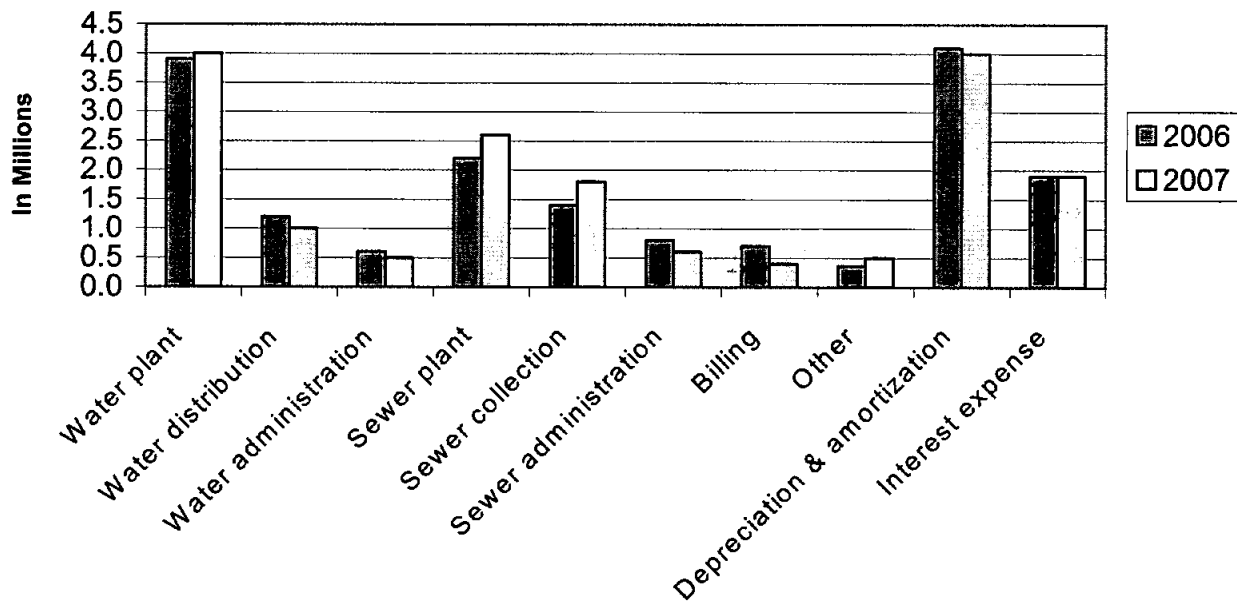
Business –Type Activities

Business-type activities increased the City's net assets by approximately \$3,570,491. The primary factor underlying the increase was contributions from developers for various tap and access fees of \$3,799,433. Expenses of the business type-activities (Water & Sewer) increased approximately 1%.

Revenues - Business-type Activities



Expenses - Business-type Activities



Financial Analysis of the Financial Statements (Continued):

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Franklin's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure to a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$52,911,864, an increase of \$12,938,694 in comparison with the prior year of \$39,973,170 (as restated). Fund balance in the amount of \$294,580, or .6%, is reserved to indicate that it represents inventory. Of the unreserved amount of \$52,617,284, or 99.4%, which is available for spending at the government's discretion, \$29,140,144 is designated by management for cash flow and emergency purchase purposes.

The General Fund is the chief operating fund of the City of Franklin, Tennessee. At the end of the current fiscal year, unreserved and undesignated fund balance of the General Fund was \$949,287, while total fund balance reached \$30,384,011. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved and undesignated fund balance and total fund balance to total fund expenditures of \$45,162,660. Unreserved and undesignated fund balance represents 2% of total General Fund expenditures. Total General Fund balance represents 67% of that same amount.

The most significant increase in actual continued revenue sources in the General Fund was derived from taxes. Tax revenues are primarily a combination of two distinct resources: property tax and local option tax. Property taxes increased \$330,377 (from \$9,395,723 to \$9,726,100), or 3.5%, with local option sales tax showing an increase of \$1,879,561 (from \$22,005,703 to \$23,885,264), or 8.5%. The increase in local option sales tax is attributed largely to the retail success of Cool Springs Mall along with continued growth of commercial properties in the area. Also, because of the commercial growth, business taxes increased approximately \$414,263 (from \$2,363,300 to \$2,777,563). Licenses and permits increased largely as a result of increases in building permits of \$776,162 (from \$1,228,209 to \$2,004,371).

General Fund Budgetary Highlights:

The original budget included an allocation of \$2,284,372 from accumulated fund balance for capital acquisitions. Actual results ended with a surplus of \$2,777,013, for an ending fund balance of \$30,384,011. The primary reason for this surplus was actual expenditures of \$45,162,660 compared to the final amended budget of \$51,823,667. A review of General Fund expenditures shows: (a) the Police department had several vacancies during the year resulting in over \$1 million dollars under its budgeted personnel, (b) the Parks department had several projects still underway at year end and was over \$1 million dollars under its budgeted capital, and (c) the City continued to focus on identifying departmental expenditures so a significant amount originally budgeted in general expenses (including employee insurance costs) was recorded in department budgets during the year.

Capital Asset and Debt Administration:

Capital Assets

The City of Franklin's investment in capital assets from its governmental and business-type activities as of June 30, 2007, is \$551,506,986 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, park facilities, roads, highways and bridges.

Major capital asset events during the current fiscal year included the following:

- The City received approximately \$39,942,525 in developer-contributed road and drainage assets.
- The City completed the extension of Carothers Parkway from Highway 96 to Liberty Pike.
- The City substantially completed the McEwen Interchange at I-65.
- The City opened the Jim Warren Skatepark in September 2006.
- The City completed construction of its Transit Management Center.

Capital Asset and Debt Administration (Continued):City of Franklin's Capital Assets

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Land	37,988,638	1,469,743	39,458,381
Buildings and Utility Plant	32,634,960	151,293,421	183,928,381
Improvements other than buildings	14,347,668	-	14,347,668
Equipment and Furniture	36,029,537	4,176,191	40,205,728
Construction in Progress	8,639,713	8,732,033	17,371,746
Conference Center –City's ½ interest	6,469,497	-	6,469,497
Infrastructure	<u>361,735,516</u>	-	<u>361,735,516</u>
Total Capital Assets	497,845,529	165,671,388	663,516,917
Less Accumulated Depreciation	<u>(74,341,974)</u>	<u>(37,667,957)</u>	<u>(112,009,931)</u>
Net Capital Assets	<u>423,503,555</u>	<u>128,003,431</u>	<u>551,506,986</u>

Additional information on the City of Franklin's capital assets can be found in the notes to the financial statements section of this report beginning on page 41.

Long-Term Debt

At the end of the current year, the City of Franklin had bonded debt outstanding of \$100,890,258. Of this amount, \$63,580,258 comprises debt backed by the full faith and credit of the government, with the remainder of the debt secured by both the taxing power of the City and specific revenue sources (i.e., revenue and tax bonds) of the Water & Sewer fund.

City of Franklin's Outstanding Debt

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
General Obligation Bonds/Capital Outlay Notes	\$63,580,258	-	63,580,258
Revenue and Tax Bonds	-	37,310,000	37,310,000
Total Outstanding Bonds	<u>\$63,580,258</u>	<u>37,310,000</u>	<u>100,890,258</u>

The City of Franklin's total debt increased by \$14,953,596 during the current fiscal year. The key factor in this increase was a new general obligation bond issue of \$20,000,000 for capital projects. During the year, scheduled debt repayment amounted to \$5,358,000.

The City of Franklin and its various agencies maintain an "Aaa" Rating from Moody's for general obligation debt. This rating was last reaffirmed on January 2007. State statutes impose no debt limit on the amount of general obligation debt a governmental entity may issue. Additional information on the City of Franklin's debt can be found in the notes to the financial statements section of this report beginning on page 45.

Economic Factors and Next Year's Budget and Rates:

The unemployment rate (not seasonally adjusted) for September 2006 for the City of Franklin was 2.6%, compared to the State of Tennessee's rate of 4.3% and a national average of 4.4%. A steady local economy, increased residential building and a steady climb in the number of retail establishments help the City keep its relatively low property tax rate.

All of these factors were considered in preparing the City's budget for the 2007-2008 fiscal year. The City appropriated approximately \$2.8 million of fund balance for capital projects in the 2008 fiscal year budget.

Requests for Information:

This financial report is designed to provide a general overview of the City of Franklin Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Department of Finance
City of Franklin
P O Box 305
Franklin, TN 37065-0305

BASIC FINANCIAL STATEMENTS

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,087,191	\$ 4,100,676	\$ 17,187,867
Investments	36,961,156	988,840	37,949,996
Receivables:			
Accounts, net of uncollectibles	1,104,488	2,027,753	3,132,241
Property taxes, net of uncollectibles	10,417,601	-	10,417,601
Grants	1,281,640	-	1,281,640
Special assessments	53,762	-	53,762
Intergovernmental	2,690,312	-	2,690,312
Fines	189,229	-	189,229
Local option sales tax	3,934,118	-	3,934,118
Other	627,594	45,977	673,571
Inventory	383,884	236,517	620,401
Prepaid expenses	8,717	-	8,717
Restricted assets:			
Cash and cash equivalents	-	8,306,416	8,306,416
Investments	-	5,482,200	5,482,200
Capital assets (net of accumulated depreciation):			
Land	37,988,638	1,469,743	39,458,381
Net investment in joint venture - Conference Center	6,469,497	-	6,469,497
Buildings and improvements	28,339,232	4,547,918	32,887,150
Improvements other than buildings	13,444,036	-	13,444,036
Utility plant in service	-	111,889,533	111,889,533
Infrastructure	309,254,184	-	309,254,184
Machinery and equipment	19,368,255	1,364,204	20,732,459
Construction in progress	8,639,713	8,732,033	17,371,746
Total assets	\$ 494,243,247	\$ 149,191,810	\$ 643,435,057

The accompanying notes are an integral part of the financial statements.

(Continued)

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF NET ASSETS (Cont.)
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	\$ 4,808,109	\$ 971,642	\$ 5,779,751
Accrued expenses	1,520,262	262,582	1,782,844
Accrued interest	282,694	482,795	765,489
Unearned revenue	11,217,078	1,241,310	12,458,388
Long-term liabilities:			
Due within one year	3,434,119	1,982,289	5,416,408
Due in more than one year	63,998,394	35,558,342	99,556,736
Total liabilities	<u>85,260,656</u>	<u>40,498,960</u>	<u>125,759,616</u>
NET ASSETS			
Investments in capital assets, net of related debt	360,565,368	92,918,459	453,483,827
Restricted for:			
Street maintenance and improvements	1,069,415	-	1,069,415
Drug fund use	381,491	-	381,491
Unrestricted	46,966,317	15,774,391	62,740,708
Total net assets	<u>\$ 408,982,591</u>	<u>\$ 108,692,850</u>	<u>\$ 517,675,441</u>

The accompanying notes are an integral part of the financial statements.

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities:							
General government	\$ 4,976,177	\$ 162,499	\$ -	\$ -	(4,813,678)	\$ -	(4,813,678)
Administration	1,250,834	-	-	-	(1,250,834)	-	(1,250,834)
City recorder	984,697	-	-	-	(984,697)	-	(984,697)
Public safety:							
Police	12,704,967	998,848	-	64,414	(11,641,705)	-	(11,641,705)
Fire	10,065,274	-	-	-	(10,065,274)	-	(10,065,274)
Highways and streets	12,825,296	-	1,550,479	41,419,693	30,144,876	-	30,144,876
Engineering	1,033,507	-	-	-	(1,033,507)	-	(1,033,507)
Storm water	1,160,588	1,913,537	-	-	752,949	-	752,949
Sanitation	5,909,657	2,666,408	14,187	-	(3,229,062)	-	(3,229,062)
Transit	1,112,289	42,558	196,394	-	(873,337)	-	(873,337)
Parks	744,627	-	-	800,585	55,958	-	55,958
Maintenance	381,635	-	-	-	(381,635)	-	(381,635)
Planning	1,079,229	190,162	7,361	-	(881,706)	-	(881,706)
Codes	1,735,274	2,700,796	-	-	965,522	-	965,522
Courts	241,389	-	-	-	(241,389)	-	(241,389)
Human resources	653,686	-	-	-	(653,686)	-	(653,686)
Channel 10	119,458	-	-	-	(119,458)	-	(119,458)
Finance	986,677	-	-	-	(986,677)	-	(986,677)
Legal	134,768	-	-	-	(134,768)	-	(134,768)
Purchasing	172,489	-	-	-	(172,489)	-	(172,489)
Municipal information and technology	2,808,228	-	-	-	(2,808,228)	-	(2,808,228)
Interest and amortization on long-term debt	2,116,737	-	-	-	(2,116,737)	-	(2,116,737)
Business-type activities:							
Water and sewer	63,197,483	8,674,808	1,768,421	42,284,692	(10,469,562)	-	(10,469,562)
Total primary government	<u>\$ 80,575,948</u>	<u>\$ 22,326,272</u>	<u>\$ 1,768,421</u>	<u>\$ 48,762,061</u>	<u>(10,469,562)</u>	<u>2,750,368</u>	<u>(7,719,194)</u>
General revenues:							
Property taxes					9,832,508	-	9,832,508
Sales taxes					23,885,264	-	23,885,264
Other locally assessed taxes					6,214,878	-	6,214,878
Other state shared taxes					6,933,602	-	6,933,602
Access fees and taxes					11,029,975	-	11,029,975
Franchise taxes					1,410,850	-	1,410,850
Unrestricted investment earnings					1,776,134	820,123	2,596,257
Other					(112,731)	-	(112,731)
Total general revenues					60,970,480	820,123	61,790,603
Change in net assets					50,500,918	3,570,491	54,071,409
Net assets - beginning of year					350,185,557	96,976,886	447,162,443
Prior period adjustment					8,296,116	8,145,473	16,441,589
Net assets - beginning of year, as restated					358,481,673	105,122,359	463,604,032
Net assets - end of year					<u>\$ 408,982,591</u>	<u>\$ 108,692,850</u>	<u>\$ 517,675,441</u>

CITY OF FRANKLIN, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General</u>	<u>Multi-Purpose Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 659,011	\$ 586,518	\$ 11,841,662	\$ 13,087,191
Investments	23,131,021	10,846,540	2,983,595	36,961,156
Receivables:				
Accounts	188,364	-	916,124	1,104,488
Property taxes, net of uncollectibles	10,417,601	-	-	10,417,601
Grants	149,026	142,889	989,725	1,281,640
Special assessments	53,762	-	-	53,762
Intergovernmental	2,279,426	-	410,886	2,690,312
Fines	189,229	-	-	189,229
Local option sales tax	3,934,118	-	-	3,934,118
Other	574,845	-	52,749	627,594
Unadvanced bond proceeds	-	45,062	-	45,062
Due from other funds	3,301,177	-	5,823	3,307,000
Inventory	294,580	-	89,304	383,884
Prepaid expenses	6,917	-	1,800	8,717
Total assets	<u>\$ 45,179,077</u>	<u>\$ 11,621,009</u>	<u>\$ 17,291,668</u>	<u>\$ 74,091,754</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,751,627	\$ 541,288	\$ 1,515,194	\$ 4,808,109
Accrued expenses	1,435,140	-	85,122	1,520,262
Due to other funds	-	1,816,672	1,490,328	3,307,000
Deferred revenue	10,608,299	142,889	793,331	11,544,519
Total liabilities	<u>14,795,066</u>	<u>2,500,849</u>	<u>3,883,975</u>	<u>21,179,890</u>
Fund balances:				
Reserved for:				
Inventory	294,580	-	-	294,580
Unreserved reported in:				
Special revenue funds	-	-	13,407,693	13,407,693
Capital projects	-	9,120,160	-	9,120,160
Unreserved - designated:				
Designated for cash flow and emergency reserve	26,490,214	-	-	26,490,214
Designated for insurance and retiree health benefits	2,649,930	-	-	2,649,930
Unreserved - undesignated	949,287	-	-	949,287
Total fund balances	<u>30,384,011</u>	<u>9,120,160</u>	<u>13,407,693</u>	<u>52,911,864</u>
Total liabilities and fund balances	<u>\$ 45,179,077</u>	<u>\$ 11,621,009</u>	<u>\$ 17,291,668</u>	<u>\$ 74,091,754</u>

The accompanying notes are an integral part of the financial statements.

CITY OF FRANKLIN, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Amounts reported for the governmental activities in the Statement of Net Assets (Page 13) are different because:

Fund balance - total governmental funds (Page 15)		\$ 52,911,864
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		
Capital assets, at cost	\$ 497,845,529	
Less related accumulated depreciation	<u>(74,341,974)</u>	423,503,555
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds		282,379
Current assets, such as bond issue costs and gains on refunding, are expensed in the period in which the bonds are drawn in the governmental funds		642,071
Long-term liabilities, including notes, bonds and leases payable, are not due in the current period and, therefore, are not reported in the funds		
Bonds outstanding	(63,580,258)	
Compensated absences	<u>(4,494,326)</u>	(68,074,584)
Payables, such as accrued interest payable, are not due and payable in the current period, and therefore are not reported in the funds		<u>(282,694)</u>
Net assets - governmental activities (Page 13)		<u>\$ 408,982,591</u>

The accompanying notes are an integral part of the financial statements.

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Multi-Purpose Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 38,913,476	\$ -	\$ 5,040,956	\$ 43,954,432
Licenses and permits	4,273,426	-	2,258,834	6,532,260
Fines and fees	781,267	-	203,913	985,180
Charge for services	42,050	-	4,622,503	4,664,553
Intergovernmental	7,615,897	913,376	1,716,734	10,246,007
Use of money and property	1,235,776	213,491	595,857	2,045,124
Miscellaneous and other	118,536	345,369	48,869	512,774
Total revenues	<u>52,980,428</u>	<u>1,472,236</u>	<u>14,487,666</u>	<u>68,940,330</u>
Expenditures:				
Current:				
General government	(288,559)	-	73,265	(215,294)
Administration	1,209,609	-	-	1,209,609
City recorder	969,927	-	-	969,927
Public safety:				
Police	11,835,351	-	144,463	11,979,814
Fire	11,109,551	-	-	11,109,551
Highways and streets	2,948,059	-	227,730	3,175,789
Engineering	852,251	-	-	852,251
Storm water	-	-	1,012,728	1,012,728
Sanitation	-	-	5,954,751	5,954,751
Transit	-	-	973,234	973,234
Parks	1,708,657	-	-	1,708,657
Maintenance	373,350	-	-	373,350
Planning	1,093,682	-	-	1,093,682
Codes	1,709,602	-	-	1,709,602
Courts	239,496	-	-	239,496
Human resources	640,239	-	-	640,239
Channel 10	105,768	-	-	105,768
Finance	845,587	-	-	845,587
Legal	123,775	-	-	123,775
Purchasing	164,113	-	-	164,113
Municipal information and technology	1,326,674	-	-	1,326,674
Debt service	2,005,185	140,000	3,293,978	5,439,163
Capital outlay	6,190,343	11,352,530	8,022,955	25,565,828
Total expenditures	<u>\$ 45,162,660</u>	<u>\$ 11,492,530</u>	<u>\$ 19,703,104</u>	<u>\$ 76,358,294</u>

The accompanying notes are an integral part of the financial statements.

(Continued)

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Cont.)
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Multi-Purpose Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 7,817,768	\$ (10,020,294)	\$ (5,215,438)	\$ (7,417,964)
Other financing sources (uses):				
Proceeds of bond issuance	-	20,356,658	-	20,356,658
Transfers from other funds	-	-	5,040,755	5,040,755
Transfers to other funds	(5,040,755)	-	-	(5,040,755)
Total other financing sources (uses)	(5,040,755)	20,356,658	5,040,755	20,356,658
Net changes in fund balances	2,777,013	10,336,364	(174,683)	12,938,694
Fund balances - beginning	27,423,556	(1,216,204)	13,712,834	39,920,186
Prior period adjustment	183,442	-	(130,458)	52,984
Fund balances - beginning, as restated	27,606,998	(1,216,204)	13,582,376	39,973,170
Fund balances - ending	\$ 30,384,011	\$ 9,120,160	\$ 13,407,693	\$ 52,911,864

The accompanying notes are an integral part of the financial statements.

CITY OF FRANKLIN, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Amounts reported for the governmental activities in the Statement of Net Assets (Page 14) are different because:

Net changes in fund balances - total governmental funds (Page 18) **\$ 12,938,694**

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period.

Specifically these items are as follows:

Acquisition of capital assets	\$ 22,554,777	
Loss on disposal of capital assets	(386,627)	
Depreciation expense	<u>(12,154,538)</u>	10,013,612

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds for:

Property tax	47,234	
Contributed capital assets through offset agreements	5,154,939	
Contributed capital assets	<u>39,942,525</u>	45,144,698

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Specifically, these items are as follows:

Debt issuance	(20,356,658)	
Debt payments	<u>3,318,000</u>	(17,038,658)

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities for:

Amortization of bond issue costs	(61,188)	
Cost on bonds issued during the year	<u>140,000</u>	78,812

Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds for:

Compensated absences	(561,854)	
Accrued interest	<u>(74,386)</u>	(636,240)

Change in net assets of governmental activities (Page 14) **\$ 50,500,918**

The accompanying notes are an integral part of the financial statements.

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUND - WATER & SEWER FUND
JUNE 30, 2007

ASSETS

Current assets:

Cash and cash equivalents - unrestricted	\$ 4,100,676
Investments - unrestricted	988,840
Accounts receivable, net of allowance for doubtful accounts	2,027,753
Interest receivable	45,977
Inventory	236,517
Total current assets	<u>7,399,763</u>

Restricted assets:

Cash and cash equivalents	8,306,416
Investments - unrestricted	5,482,200
Total restricted assets	<u>13,788,616</u>

Noncurrent assets:

Capital assets (net of accumulated depreciation):

Land	1,469,743
Buildings and improvements	4,547,918
Utility plant in service	111,889,533
Machinery and equipment	1,364,204
Construction in progress	8,732,033

Total capital assets (net of accumulated depreciation): **128,003,431**

Total noncurrent assets **128,003,431**

Total assets **\$ 149,191,810**

LIABILITIES

Current liabilities:

Accounts payable	\$ 971,642
Accrued expenses	262,582
Accrued interest	482,795
Deferred revenue - unearned	1,241,310
Compensated absences payable	648,239
Bond issue cost and discount, net of amortization	1,807,420
Current maturities of long-term debt	1,895,125
Total current liabilities	<u>7,309,113</u>

Long-term debt, net of current maturities **33,189,847**

Total liabilities **40,498,960**

NET ASSETS

Invested in capital assets, net of related debt	92,918,459
Unrestricted	15,774,391
Total net assets	<u>108,692,850</u>

Total liabilities and net assets **\$ 149,191,810**

The accompanying notes are an integral part of the financial statements.

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND - WATER AND SEWER FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Water and Sewer Fund</u>
Operating revenues:	
Metered water sales	\$ 6,114,257
Sewer service charges	6,432,923
Reclaimed water sales	90,522
Other revenues from operations	<u>1,013,762</u>
Total operating revenues	<u>13,651,464</u>
Operating expenses:	
Water plant expenses	4,049,885
Water distribution expenses	1,012,590
Water administration	488,020
Sewer plant expenses	2,587,623
Sewer collection expenses	1,785,517
Sewer administration	641,874
Water & Sewer billing expenses	353,753
General administration	436,946
Reclaimed water expenses	46,796
Tap expenses	46,193
Depreciation	<u>4,044,081</u>
Total operating expenses	<u>15,493,278</u>
Operating income (loss)	<u>(1,841,814)</u>
Nonoperating revenues (expenses):	
Interest income	898,457
Gain (loss) on sale of assets	(78,334)
Amortization expense	(127,578)
Interest expense	<u>(1,757,609)</u>
Total nonoperating revenues (expenses)	<u>(1,065,064)</u>
Net income (loss) before contributions and transfers	<u>(2,906,878)</u>
Contributions:	
Tap and access fees	3,799,433
Contributions from county	67,844
Developer contributions	<u>2,610,092</u>
Total contributions	<u>6,477,369</u>
Change in net assets	3,570,491
Net assets, beginning of year	96,976,886
Prior period adjustment	<u>8,145,473</u>
Net assets, beginning of year, as restated	<u>105,122,359</u>
Net assets, end of year	<u><u>\$ 108,692,850</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATER AND SEWER FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Cash received from consumers	\$ 13,190,139
Cash paid to employees for services	(4,403,069)
Cash paid to suppliers of goods and services	(8,359,607)
Net cash provided (used) by operating activities	<u>427,463</u>
Cash flows from capital and related financing activities:	
Purchase of property, plant and equipment	(3,685,691)
Interest paid on bonds	(1,749,474)
Payments on long-term debt	(2,040,000)
Net cash provided (used) by non-capital financing activities	<u>(7,475,165)</u>
Cash flows from non-capital financing activities:	
Contributions from tap fees and grant funds	<u>3,867,277</u>
Net cash provided (used) by non-capital financing activities	<u>3,867,277</u>
Cash flows from investing activities:	
Purchase of investments	(11,988,725)
Proceeds from the sale of investments	20,207,508
Interest received and gains on investments	937,971
Net cash provided (used) by investing activities	<u>9,156,754</u>
Net increase (decrease) in cash and restricted cash	<u>5,976,329</u>
Cash and restricted cash - Beginning of year	<u>6,430,763</u>
Cash and restricted cash - End of year	<u>\$ 12,407,092</u>
Reconciliation of operating income (loss) to net cash provided (used) by operations:	
Operating income (loss)	\$ (1,841,814)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	4,044,081
Change in:	
Accounts receivable	(461,325)
Inventory	(69,819)
Accounts payable	(1,183,056)
Accrued expenses	23,703
Deferred revenue	(112,488)
Compensated absences	28,181
Net cash provided (used) by operating activities	<u>\$ 427,463</u>
Supplemental schedule of non-cash capital financing activities:	
Reduction in deferred revenue made as prior period adjustment	<u>\$ 4,139,818</u>
Capital assets added as a prior period adjustment	<u>\$ 4,005,615</u>
Capital assets added as developer contributions	<u>\$ 2,610,092</u>

The accompanying notes are an integral part of the financial statements.

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF FIDUCIARY NET ASSETS
PENSION FUND
DECEMBER 31, 2006

ASSETS

Investments at fair value:

Short - term investments	\$ 1,464,839
Domestic stocks	15,092,033
Foreign stocks	598,091
U.S. agency bonds	1,388,401
Mutual fund	11,744,404
Other	<u>19,584</u>
Total investments	<u>30,307,352</u>

Total assets	\$ <u>30,307,352</u>
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Net assets held in trust for pension benefits	\$ <u>30,307,352</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND - PENSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

Additions:

Contributions:

Employer contributions	\$ 2,268,120
Employee contributions	<u>314,793</u>
Total contributions	<u>2,582,913</u>

Investment income:

Net appreciation in investments	12,732
Investment earnings	<u>2,968,719</u>
Total investment income	<u>2,981,451</u>

Total additions	<u>5,564,364</u>
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Deductions:

Pension benefits	1,216,260
Administration expense	<u>206,078</u>

Total deductions	<u>1,422,338</u>
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Net increase	4,142,026
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Net assets held in trust for pension benefits - beginning	<u>26,165,326</u>
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Net assets held in trust for pension benefits - ending	<u><u>\$ 30,307,352</u></u>
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The accompanying notes are an integral part of the financial statements.

CITY OF FRANKLIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance with Final Budget Over (Under)
Revenues:	Original	Final	Actual	
Taxes:				
Real and personal property taxes	\$ 9,867,754	\$ 9,867,754	\$ 9,726,100	\$ (141,654)
Penalty and interest	37,817	37,817	28,531	(9,286)
In lieu of tax	215,014	215,014	30,643	(184,371)
Sales tax	23,619,271	23,619,271	23,885,264	265,993
Beer tax	1,296,424	1,296,424	1,257,375	(39,049)
Wholesale liquor tax	725,033	725,033	689,363	(35,670)
Business tax	2,042,500	2,042,500	2,777,563	735,063
Mixed drink tax	430,855	430,855	452,814	21,959
Liquor privilege tax	53,873	53,873	50,265	(3,608)
Beer privilege tax	24,895	24,895	15,558	(9,337)
Total Taxes	<u>38,313,436</u>	<u>38,313,436</u>	<u>38,913,476</u>	<u>600,040</u>
Licenses and permits:				
Franchise taxes	1,156,914	1,156,914	1,410,850	253,936
Mechanical licenses	9,582	9,582	6,753	(2,829)
Mechanical permits	154,525	154,525	176,658	22,133
Beer permits and licenses	10,530	10,530	7,750	(2,780)
Building permits	1,273,479	1,273,479	2,004,371	730,892
Plumbing permits	183,869	183,869	154,501	(29,368)
Plumbing licenses	6,781	6,781	5,184	(1,597)
Electric permits	279,395	279,395	284,922	5,527
Yard sale permits	6,245	6,245	9,285	3,040
Miscellaneous permits	4,568	4,568	5,400	832
Alarm permits	23,174	23,174	17,590	(5,584)
Site review, rezoning and submittal fees	<u>318,265</u>	<u>318,265</u>	<u>190,162</u>	<u>(128,103)</u>
Total Licenses and permits	<u>3,427,327</u>	<u>3,427,327</u>	<u>4,273,426</u>	<u>846,099</u>
Fines and fees:				
Fines - city court	927,823	927,823	590,808	(337,015)
Fines - general sessions	44,390	44,390	43,982	(408)
Confiscated goods	2,961	2,961	-	(2,961)
Business tax fees	25,460	25,460	22,382	(3,078)
Beer board violations	23,625	23,625	6,000	(17,625)
Drug fines	77,175	77,175	79,345	2,170
Parking tickets	<u>28,923</u>	<u>28,923</u>	<u>38,750</u>	<u>9,827</u>
Total Fines and fees	<u>\$ 1,130,357</u>	<u>\$ 1,130,357</u>	<u>\$ 781,267</u>	<u>\$ (349,090)</u>

The accompanying notes are an integral part of the financial statements.

(Continued)

CITY OF FRANKLIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance with Final Budget Over (Under)
Revenues (Cont.):	Original	Final	Actual	
Charges for services:				
Offender registry	\$ 1,670	\$ 1,670	\$ 1,300	\$ (370)
Fingerprinting fees	1,859	1,859	1,180	(679)
Maps sold	-	-	60	60
License seizure fees	2,559	2,559	1,625	(934)
City sponsored training	400	400	-	(400)
Accident reports	37,502	37,502	37,885	383
Total Charges for services	43,990	43,990	42,050	(1,940)
Intergovernmental:				
State excise tax	75,000	75,000	187,413	112,413
State beer tax	19,816	19,816	26,525	6,709
Sales tax	3,638,342	3,638,342	3,578,356	(59,986)
State income tax	909,340	909,340	1,474,563	565,223
In lieu of tax - TVA	354,445	354,445	410,183	55,738
Water and sewer - administrative services	803,747	803,747	803,748	1
Federal and state financial assistance programs	794,371	1,800,950	1,135,109	(665,841)
Total Intergovernmental	6,595,061	7,601,640	7,615,897	14,257
Use of money and property:				
Interest income	1,200,874	1,200,874	1,131,408	(69,466)
Rebates on purchases	-	-	55,862	55,862
Park concessions and rentals	14,130	14,130	18,561	4,431
Rent - mall and other	9,009	9,009	13,701	4,692
Sale of fixed assets	150,000	218,100	16,244	(201,856)
Total Use of money and property	1,374,013	1,442,113	1,235,776	(206,337)
Miscellaneous:				
Miscellaneous income	96,584	96,584	118,536	21,952
Total Miscellaneous	96,584	96,584	118,536	21,952
Total revenues	\$ 50,980,768	\$ 52,055,447	\$ 52,980,428	\$ 924,981

The accompanying notes are an integral part of the financial statements.

(Continued)

CITY OF FRANKLIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Expenditures:	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
General government administration:				
Current:				
Personnel	\$ 691,416	\$ 884,046	889,266	\$ 5,220
Operations	326,638	341,638	320,343	(21,295)
Total current	1,018,054	1,225,684	1,209,609	(16,075)
Capital outlay:	12,000	12,000	25,334	13,334
Total General government administration	1,030,054	1,237,684	1,234,943	(2,741)
City recorder:				
Current:				
Personnel	518,319	609,586	610,490	904
Operations	390,878	390,878	359,437	(31,441)
Total current	909,197	1,000,464	969,927	(30,537)
Capital outlay	10,000	10,000	-	(10,000)
Total City recorder	919,197	1,010,464	969,927	(40,537)
Police department				
Current				
Personnel	9,645,409	11,009,824	9,925,025	(1,084,799)
Operations	1,866,075	1,916,075	1,910,326	(5,749)
Total current	11,511,484	12,925,899	11,835,351	(1,090,548)
Capital outlay	867,800	877,950	449,606	(428,344)
Total Police department	12,379,284	13,803,849	12,284,957	(1,518,892)
Fire department:				
Current				
Personnel	8,244,032	9,885,477	9,983,259	97,782
Operations	1,138,708	1,138,708	1,126,292	(12,416)
Total current	9,382,740	11,024,185	11,109,551	85,366
Capital outlay	440,700	1,728,556	1,575,256	(153,300)
Total Fire department	\$ 9,823,440	\$ 12,752,741	\$ 12,684,807	\$ (67,934)

CITY OF FRANKLIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Highway and streets:				
Current				
Personnel	\$ 1,941,977	\$ 2,361,287	\$ 2,375,005	\$ 13,718
Operations	759,287	938,366	573,054	(365,312)
Total current	2,701,264	3,299,653	2,948,059	(351,594)
Capital outlay	1,525,000	1,616,189	1,226,543	(389,646)
Total Highway and streets	4,226,264	4,915,842	4,174,602	(741,240)
Engineering:				
Current				
Personnel	700,412	813,515	767,844	(45,671)
Operations	157,176	157,176	84,407	(72,769)
Total current	857,588	970,691	852,251	(118,440)
Capital outlay	872,635	5,500	3,695	(1,805)
Total Engineering	1,730,223	976,191	855,946	(120,245)
Parks:				
Current				
Personnel	1,040,144	1,210,449	1,123,606	(86,843)
Operations	448,710	531,210	585,051	53,841
Total current	1,488,854	1,741,659	1,708,657	(33,002)
Capital outlay	1,923,000	2,267,511	1,081,874	(1,185,637)
Total Parks	3,411,854	4,009,170	2,790,531	(1,218,639)
Maintenance department:				
Current				
Personnel	223,529	265,997	245,680	(20,317)
Operations	135,828	135,828	127,670	(8,158)
Total Current	359,357	401,825	373,350	(28,475)
Capital outlay	17,500	17,500	-	(17,500)
Total Maintenance department	\$ 376,857	\$ 419,325	\$ 373,350	\$ (45,975)

CITY OF FRANKLIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Planning:				
Current				
Personnel	\$ 680,112	\$ 784,973	\$ 861,565	\$ 76,592
Operations	316,296	399,626	232,117	(167,509)
Total current	996,408	1,184,599	1,093,682	(90,917)
Capital outlay	30,500	30,500	31,232	732
Total Planning	1,026,908	1,215,099	1,124,914	(90,185)
Codes:				
Current				
Personnel	1,344,863	1,596,607	1,590,089	(6,518)
Operations	132,979	140,979	119,513	(21,466)
Total current	1,477,842	1,737,586	1,709,602	(27,984)
Capital outlay	58,000	58,000	65,470	7,470
Total Codes	1,535,842	1,795,586	1,775,072	(20,514)
Court:				
Current				
Personnel	165,128	197,957	199,102	1,145
Operations	56,176	56,176	40,394	(15,782)
Total current	221,304	254,133	239,496	(14,637)
Capital outlay	75,000	75,000	-	(75,000)
Total Court	296,304	329,133	239,496	(89,637)
Human resources:				
Current				
Personnel	384,091	445,144	460,740	15,596
Operations	230,655	230,655	179,499	(51,156)
Total current	614,746	675,799	640,239	(35,560)
Total Human resources	\$ 614,746	\$ 675,799	\$ 640,239	\$ (35,560)

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF FRANKLIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Channel 10:				
Current				
Personnel	\$ 165,989	\$ 179,834	\$ 89,455	\$ (90,379)
Operations	23,978	23,978	16,313	(7,665)
Total current	189,967	203,812	105,768	(98,044)
Capital outlay	35,400	30,380	28,433	(1,947)
Total Channel 10	225,367	234,192	134,201	(99,991)
Finance:				
Current				
Personnel	688,557	779,103	741,776	(37,327)
Operations	146,132	146,132	103,811	(42,321)
Total current	834,689	925,235	845,587	(79,648)
Capital outlay	50,000	50,000	71,468	21,468
Total Finance	884,689	975,235	917,055	(58,180)
Legal:				
Current				
Personnel	-	99,262	100,872	1,610
Operations	-	26,091	22,903	(3,188)
Total current	-	125,353	123,775	(1,578)
Capital outlay	-	6,000	6,091	91
Total Legal	-	131,353	129,866	(1,487)
Purchasing:				
Current				
Personnel	112,074	132,517	128,122	(4,395)
Operations	45,853	45,853	35,991	(9,862)
Total current	157,927	178,370	164,113	(14,257)
Capital outlay	-	-	481	481
Total Purchasing	\$ 157,927	\$ 178,370	\$ 164,594	\$ (13,776)

The accompanying notes are an integral part of the financial statements.

(Continued)

CITY OF FRANKLIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Expenditures (Cont.):				
Municipal information and technology:				
Current				
Personnel	\$ 833,303	\$ 960,700	\$ 878,689	\$ (82,011)
Operations	473,150	473,150	447,985	(25,165)
Total current	1,306,453	1,433,850	1,326,674	(107,176)
Capital outlay	845,851	847,851	503,875	(343,976)
Total Municipal information and technology	2,152,304	2,281,701	1,830,549	(451,152)
General expenditures:				
Current				
Personnel	3,150,110	(1,571,029)	(2,343,232)	(772,203)
Operations	1,386,000	2,095,272	1,517,148	(578,124)
Total current	4,536,110	524,243	(826,084)	(1,350,327)
Capital outlay	20,000	1,276,900	1,120,985	(155,915)
Total General expenditures	4,556,110	1,801,143	294,901	(1,506,242)
Contributions:				
Current				
Appropriations to non profit organizations	531,035	541,035	537,525	(3,510)
Total Contributions	531,035	541,035	537,525	(3,510)
Debt service:				
Principal	1,148,750	1,148,750	1,133,750	(15,000)
Interest	1,276,005	1,276,005	788,405	(487,600)
Fees and selling expenses	115,000	115,000	83,030	(31,970)
Total Debt service	2,539,755	2,539,755	2,005,185	(534,570)
Total expenditures	\$ 48,418,160	\$ 51,823,667	\$ 45,162,660	\$ (6,661,007)

CITY OF FRANKLIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Expenditures (Cont.):				Over (Under)
Excess (deficiency) of revenues over expenditures	<u>\$ 2,562,608</u>	<u>\$ 231,780</u>	<u>\$ 7,817,768</u>	<u>\$ 7,585,988</u>
Other Financing Sources (uses):				
Transfer to Sanitation Fund	(3,920,077)	(4,103,077)	(4,102,180)	897
Transfer to Drug Fund	(77,175)	(80,000)	(79,345)	655
Transfer to Transit Authority Fund	<u>(849,728)</u>	<u>(859,728)</u>	<u>(859,230)</u>	<u>498</u>
Total Financing Sources (Uses)	<u>(4,846,980)</u>	<u>(5,042,805)</u>	<u>(5,040,755)</u>	<u>2,050</u>
Net changes in fund balances	<u>\$ (2,284,372)</u>	<u>\$ (4,811,025)</u>	2,777,013	<u>\$ 7,588,038</u>
Fund balance - beginning of year			27,423,556	
Prior period adjustment			<u>183,442</u>	
Fund balance - beginning of year, as restated			<u>27,606,998</u>	
Fund balance - end of year			<u>\$ 30,384,011</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Franklin was incorporated in 1799. The City operates under a mayor-alderman form of government. The City provides the following services; public safety, streets, sanitation, parks, planning, codes, and water and sewer services. As required by generally accepted accounting principles, these financial statements present all funds, which comprise the City.

The accompanying financial statements present the government and component units, if any. Component units are entities for which the government is considered to be financially accountable. Component units, although legally separate entities, are required to be presented in the government's financial statements using either a "blended" or "discrete" presentation.

As of June 30, 2007 the City had no component units which were required to be included in these financial statements.

Related Organization: The City's officials are also responsible for appointing the members of the board of the Franklin Housing Authority; however, the City does not provide funding, has no obligation for the debt issued by the Authority, and cannot impose its will upon the operations of the Authority.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days (60) of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation (Cont.)

Property taxes, state shared revenue, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Multi-Purpose Capital Project Fund was established to account for the various capital projects of the City.

The City reports the following major proprietary fund:

The Water and Sewer Fund accounts for the water, wastewater, and reclaimed water services provided to customers of the system.

Additionally, the City reports the following fund type:

The Pension Fund accounts for the activities of the pension plan maintained for employees of the City, which accumulates resources for pension payments to qualified employees.

The financial statements of the City are prepared in accordance with generally accepted accounting principles. The City's reporting entity applies all relevant *Governmental Accounting Standards Board* (GASB) pronouncements and applicable *Financial Accounting Standards Board* (FASB) pronouncements and *Accounting Principle Board* (APB) opinions issued on or before November 30, 1989 unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the government's utility divisions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the various utility funds are charges for sales to customers for sales and

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation (Cont.)

services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Joint Operation of the Conference Center

In June 1999, the City completed construction of a conference center facility funded jointly by the City and Williamson County (the County) through issuance of a combined total of \$12,000,000 in general obligation debt (one-half each by City and County). An Interlocal Agreement executed between the City and County (the Parties) provides for equal ownership by each of the Parties of a one-half undivided interest in the conference center and further specifies that each of the Parties shall be entitled to one-half of the net revenue and shall be responsible for one-half of all costs and expenses of the operation and maintenance of the Conference Center. The City's undivided interest in the investment in the Conference Center facility which has total net assets of \$12,938,994 at June 30, 2007 is accounted for as a capital asset of the City. The City's one-half interest in Conference Center operations (loss of \$17,233) is presented with governmental activities in the statements of net assets and activities. Complete financial statements for the Conference Center may be obtained from the Department of Finance at City Hall.

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements and the State's investment pool.

Investments for the City are reported at fair value, securities traded on a national or international exchange are valued at the last reported sales price.

Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Property tax receivables are shown net of an allowance for uncollectibles. The allowance is recorded based on the past history of collections. Court fines receivable are also shown net of an allowance for uncollectibles. The allowance is recorded based on management's estimate of what portion of the outstanding receivable will be collected in the future.

The allowances for uncollectible customer accounts recorded in the proprietary funds are based on past history of uncollectible accounts and management's analysis of current accounts. Bad debts in the proprietary fund are recorded by the direct write-off method.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. Assets, Liabilities, and Net Assets or Equity (Cont.)

Property taxes are levied annually on January 1. The taxes are due and payable from the following October through February in the year succeeding the tax levy. An unperfected lien attaches by statute to property on March 1 for unpaid taxes from the prior year's levy. Taxes uncollected by April 1, the year after due may be submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment.

Inventories and Prepaid Items

Inventories are valued at cost in the governmental activities and the lower of cost or market in the business-type activities using the FIFO method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased (consumption method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The City elects to use restricted assets before unrestricted assets when the situation arises where either can be used. Certain assets of the Water & Sewer Fund are classified as restricted assets because their use is limited by applicable debt or other agreement.

Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value or materially extend the useful life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the City are depreciated using the straight line method over the following useful lives:

Infrastructure (roads, bridges)	50 years
Buildings and improvements	25 - 50 years
Distribution systems	10 - 50 years
Equipment	3-10 years
Furniture and fixtures	3-10 years

Compensated Absences

City policy provides for the accumulation of unused vacation days equal to those earned in the current year. It also provides for the accumulation of sick days up to a maximum of 120 days. No amounts of sick leave are vested in the event of employee termination; however, the employee is entitled to payment for unused sick leave upon retirement.

All annual leave is accrued when incurred in the government-wide and proprietary fund (Water & Sewer) financial statements. A liability for these amounts is reported in the governmental funds (specifically General, Sanitation, and Storm Water) only if amounts are actually due employees as a result of termination and / or retirement.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. Assets, Liabilities, and Net Assets or Equity (Cont.)

Property Tax

The City's property tax is levied each October 1 on the assessed valued listed as of the prior January 1 for all real and personal property located in the City's legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1 of the year the assessments are made.

Assessed values are established by the State of Tennessee at the following rates of assessed market value:

Public Utility Property	55%
Industrial and Commercial Property	
Real	40%
Personal	30%
Farm and Residential Property	25%

Taxes are levied at a rate of \$.55 per \$100 of assessed valuation.

Payments may be made during the period from October 1 through February 28. Current tax collections of \$9,435,282 for the fiscal year ended June 30, 2007 were approximately 98% of the tax levy.

Taxes become delinquent in March of the year subsequent to the levy date; at that time delinquent taxes are turned over to the County Clerk and Master for collection proceedings.

At June 30, 2007, property taxes receivable amounted to \$10,490,086, of this amount, property taxes assessed January 1, 2007 and levied October 1, 2007 amounted to \$10,214,014. Property taxes are recognized as revenue if available, if not available, amounts are presented as deferred in the governmental fund financial statements.

Long-term Obligations

In the government-wide financial statements, and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Offset Fee Agreement – Water and Sewer Fund

The City, under an agreement with the developer of a local residential complex, had agreed to credit the water customers monthly for reclaimed water over a period of time until the original offset was reduced to zero in return for the developer's installation of specified reclaimed water infrastructure contributed to the City. A credit will be applied against revenues from the sale of water under the agreement. The remaining balance on the agreement amounted to \$1,241,310 at June 30, 2007 and is presented as deferred revenue until such time as it is earned under terms of the agreement.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. Assets, Liabilities, and Net Assets or Equity (Cont.)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the special revenue funds. The Board of Aldermen approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year end.

As an extension of the formal budgetary process, the Board of Aldermen may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. The City's policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Board.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City is authorized to invest funds in, among other things, financial institutions and direct obligations of the Federal Government. During 2007, the City, except for the Pension Fund, invested in certificates of deposit, interest-bearing checking accounts, and government sponsored agency securities.

Deposits:

Custodial Credit Risk: The City's policies limit deposits to those instruments allowed by applicable state laws and described above. State statute required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance, by the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2007, all bank deposits were fully collateralized or insured.

Investments:

Interest Rate Risk: Investments held for longer periods are subject to increased risk for adverse interest rate changes. City policy provides that to the extent practicable, investments are matched with anticipated cash flows. Typically certificates of deposit are issued for periods less than one year and investments in the Local Government Investment Pool are available daily. At June 30, 2007, investments of the City had average weighted maturities as noted on following page.

Credit Risk: The City's general investment policy is derived from the model investment policy created by the Government Finance Officers Association. Its general objectives are safety, liquidity, and yield and its standard of care to be used by investment officials is formulated around the prudent-person rule: investments are made as a prudent person should be expected to make, with discretion and intelligence, to produce reasonable income, preserve capital and, in general, avoid speculative investments.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)

A. Deposits and Investments (Cont.)

As of June 30, 2007, the City, exclusive of the Pension Fund, had the following investments with the noted weighted average maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of Deposit	\$ 8,000,000	.20
Federal Home Loan Bank	13,893,025	2.07
Federal Home Loan Mortgage Corp	12,246,153	1.93
Federal National Mortgage Assn	8,298,638	2.95
Federal Farm Credit Bank	994,380	3.94
Total Investments at Fair Value	<u>\$ 43,432,196</u>	
Portfolio Weighted Avg. Maturity		1.90

All investments are rated Aaa by Moody's and the certificates of deposit are in banks covered by the State collateral pool.

As of June 30, 2007, all the investments, other than the investment in Federal Farm Credit Bank, constituted a concentration risk due to the investments exceeding 5% of the portfolio balance.

As of December 31, 2006 the City of Franklin's Pension Fund had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Federal National Mortgage Assn	\$ 99,328	1.48
Federal Home Loan Bank	991,268	2.16
Federal Home Loan Mortgage Corp	248,211	2.60
Federal Farm Credit Bank	49,594	5.88
Investments Available for Sale	<u>28,918,951</u>	
Total Investments at Fair Value	<u>\$ 30,307,352</u>	
Portfolio Weighted Avg. Maturity		2.32

All investments in Federal Securities are rated Aaa by Moody's. Investments available for sale are made up of short term investments, domestic and foreign corporate stocks, mutual funds, and other investments.

As of December 31, 2006, the investments in mutual funds totaling \$11,744,404 constituted a concentration risk due to the investments exceeding 5% of the portfolio balance.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)

B. Receivables

Receivables as of the year end for the government's individual major, nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Multi- Purpose Capital Project Fund	Water & Sewer Fund	Other Governmental Funds	Total
Receivables:					
Accounts	\$ 188,364	\$ -	\$ 2,036,753	\$ 916,124	\$ 3,141,241
Property taxes	10,490,086	-	-	-	10,490,086
Grants	149,026	142,889	-	989,725	1,281,640
Special assessments	53,762	-	-	-	53,762
Intergovernmental	2,279,426	-	-	410,886	2,690,312
Fines	480,229	-	-	-	480,229
Local option sales tax	3,934,118	-	-	-	3,934,118
Other	574,845	-	45,977	52,749	673,571
Gross receivables	18,149,856	142,889	2,082,730	2,369,484	22,744,959
Less: Allowance					
for uncollectibles	(363,485)	-	(9,000)	-	(372,485)
Net total receivables	<u>\$ 17,786,371</u>	<u>\$ 142,889</u>	<u>\$ 2,073,730</u>	<u>\$ 2,369,484</u>	<u>\$ 22,372,474</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 144,035	\$ -
2007 property tax assessment	-	10,214,013
Special assessments	-	53,762
Confiscated funds	-	11,914
Court fines receivable	183,406	-
Grant drawdowns prior to meeting all eligibility requirements	-	937,389
Total deferred revenue for fund financial statements	<u>\$ 327,441</u>	<u>\$ 11,217,078</u>

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)

C. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance June 30, 2006	Adjustments	Additions	Disposals	Balance June 30, 2007
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 35,900,209	\$ -	\$ 2,106,779	\$ 18,350	\$ 37,988,638
Construction in process	-	-	8,639,713	-	8,639,713
Net investment in joint venture-					
Conference Center- 1/2 interest	6,478,113	-	-	8,616	6,469,497
Total capital assets not being depreciated	<u>42,378,322</u>	<u>-</u>	<u>10,746,492</u>	<u>26,966</u>	<u>53,097,848</u>
Capital assets, being depreciated:					
Buildings and improvements	31,698,066	-	1,251,151	314,257	32,634,960
Improvements other than buildings	13,892,641	-	538,734	83,707	14,347,668
Equipment	28,811,858	670,230	7,720,789	1,173,340	36,029,537
Infrastructure	306,872,555	7,652,328	47,395,075	184,442	361,735,516
Total capital assets being depreciated	<u>381,275,120</u>	<u>8,322,558</u>	<u>56,905,749</u>	<u>1,755,746</u>	<u>444,747,681</u>
Accumulated depreciation					
Buildings and improvements	4,277,451		136,294	118,014	4,295,731
Improvements other than buildings	349,541		565,435	11,345	903,631
Equipment	14,030,916	262,832	3,347,607	454,408	16,661,283
Infrastructure	44,662,781	-	8,105,202	286,654	52,481,329
Total accumulated depreciation	<u>63,320,689</u>	<u>262,832</u>	<u>12,154,538</u>	<u>870,421</u>	<u>74,341,974</u>
Total capital assets being depreciated, net	<u>317,954,431</u>	<u>8,059,726</u>	<u>44,751,211</u>	<u>885,325</u>	<u>370,405,707</u>
Total governmental activities assets, net	<u>\$ 360,332,753</u>	<u>\$ 8,059,726</u>	<u>\$ 55,497,703</u>	<u>\$ 912,291</u>	<u>\$ 423,503,555</u>

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Cont.)

C. Capital Assets (Cont.)

	Balance June 30, 2006	Adjustments	Increases	Decreases	Balance June 30, 2007
Business-type activities:					
Capital assets, not being depreciated					
Land	\$ 1,445,797	\$ -	\$ 23,946	\$ -	\$ 1,469,743
Construction in progress	10,491,988	-	3,150,156	4,910,111	8,732,033
Total capital assets, not being depreciated	11,937,785	-	3,174,102	4,910,111	10,201,776
Capital assets, being depreciated					
Buildings and improvements	17,772,116	(6,526,000)	44,900	-	11,291,016
Utility Plant in service	120,958,961	11,518,278	7,525,166	-	140,002,405
Machinery and equipment	4,183,690	(55,430)	461,762	413,831	4,176,191
Total capital assets, being depreciated	142,914,767	4,936,848	8,031,828	413,831	155,469,612
Less accumulated depreciation for:					
Buildings and improvements	6,628,734	(217,880)	332,244	-	6,743,098
Utility Plant in service	23,585,823	1,149,073	3,377,976	-	28,112,872
Machinery and equipment	2,813,588	-	333,861	335,462	2,811,987
Total accumulated depreciation	33,028,145	931,193	4,044,081	335,462	37,667,957
Total capital assets, being depreciated, net	109,886,622	4,005,655	3,987,747	78,369	117,801,655
Business-type activities capital assets, net	121,824,407	4,005,655	7,161,849	4,988,480	128,003,431
Total capital assets, net	\$ 482,157,160	\$ 37,572,381	\$ 37,152,643	\$ 5,375,108	\$ 551,506,986

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)

C. Capital Assets (Cont.)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 189,251
Administration	15,898
Police department	454,543
Fire department	595,728
Highways and streets	8,314,869
Engineering	141,748
Storm water	57,924
Sanitation	262,668
Transit	124,472
Parks	649,740
Maintenance	5,755
Planning	18,642
Codes	32,425
Human resources	3,045
Channel 10	3,365
Finance	67,174
Municipal information and technology	<u>1,217,291</u>
Total depreciation expense - governmental activities	<u>\$ 12,154,538</u>
Business-type activities:	
Water and sewer	<u>\$ 4,044,081</u>
Total depreciation expense - business-type activities	<u>\$ 4,044,081</u>

D. Interfund Receivables, Payables and Transfers

All interfund balances are expected to be repaid within the next fiscal year and are considered ordinary in nature. The composition of interfund balances as of June 30, 2007, is as follows:

Receivable Fund	Payable Fund	Amount
General	Sanitation	\$ 65,065
General	Transit	989,725
General	Multi-Purpose Capital Project	1,816,672
General	TIIP Grant	435,538
Drug	General	<u>5,823</u>
Total		3,312,823
Governmental fund activities eliminated		<u>(3,312,823)</u>
Total government-wide		<u>\$ -</u>

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)

D. Interfund Receivables, Payables and Transfers (Cont.)

The purposes of the interfund liabilities are noted below:

- The balance between the General Fund and the Sanitation Fund is due to a negative cash balance in the fund at year end due to outstanding receivables.
- The balance between the General Fund and the Transit Authority Fund is due to a negative cash balance in the fund at year end because of outstanding grants receivable.
- The balance between the General Fund and the Multi-Purpose Capital Project Fund is due to a negative cash balance in the fund at year end because of outstanding bond drawdowns.
- The balance between the General Fund and the TIIP Grant Fund is due to a negative cash balance in the fund at year end because of an outstanding developer receivable.
- The balance between the Drug Fund and the General Fund is due to additional drug revenues not transferred at year end.

The following is a summary of transfers during the year ended June 30, 2007:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General	Sanitation	\$ 4,102,180
General	Drug	79,345
General	Transit Authority	<u>859,230</u>
Total		5,040,755
Governmental fund activities eliminated		<u>(5,040,755)</u>
Total government-wide		<u>\$ -</u>

The purposes of the transfers are noted below:

- The transfers between the General Fund and the Sanitation Fund are for the purpose of providing the annual operating subsidy.
- The transfers between the General Fund and the Drug Fund are for the purpose of transferring drug-related revenues receipted in General Fund to drug fund.
- The transfers between the General Fund and the Transit Authority Fund are for the purpose of providing the annual operating subsidy.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)

E. Long-term Debt

Long-term debt at June 30, 2007, is comprised of the following:

Governmental Activities:

General obligation bonds:

City of Clarkville, Pooled Loan Program - 2001 variable rate of interest; final maturity May 25, 2017	\$ 3,800,000
Tennessee Municipal Variable Rate Pooled Loan Program - 2001; variable rate of interest, final maturity May 25, 2018.	1,641,000
Series 2002 - general Improvement Refunding Bonds, 2.00% to 3.625% interest, final maturity October 1, 2014.	6,480,000
Series 2004 - General Public Improvement Bonds, 2.00% to 4.5% interest, final maturity, March 1, 2024	7,605,000
Local Government Public Improvement Bonds - VI-B-1, variable rate of interest, final maturity June 30, 2024	12,460,000
Local Government Public Improvement Bonds - 101-A-1, variable rate of interest, final maturity January 2035	20,000,000
General Obligation Public Improvement Refunding Bonds 3% rate of interest, final maturity April 1, 2010	1,530,000
Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, variable rate of interest, final maturity May 25, 2017	2,869,258
General Purpose Public Works Bonds - 2005, variable rate of interest, final maturity July 1, 2020	4,280,000
Series 2000 - General Obligation Public Improvement Bonds, 4.25% to 4.85% interest, final maturity April 1, 2015	<u>2,915,000</u>
Total Governmental Activities Long-Term Debt	<u><u>\$ 63,580,258</u></u>

The aforementioned bonds are secured by the full faith and credit of the City. During 2007, debt service for the aforementioned debt was provided by the General Fund, Sanitation Fund, Road Impact Fund and the Hotel/Motel Tax Fund.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)

E. Long-term Debt (Cont.)

Business Type Activities:

Revenue and tax bonds:

Series 2001 - Sewer and Water Revenue and Tax Bonds; 3.75% to 4.95% interest; final maturity November 1, 2021	\$ 910,000
Series 2002 - Water and Sewer Revenue and Tax Refunding Bonds; 3.00% to 4.00% interest; final maturity November 1, 2009	680,000
Series 1999 - Water and Sewer Revenue and Tax Refunding Bonds: 3.5% to 4.2% interest; final maturity July 1, 2010	1,460,000
Series 2002A - Sewer and Water Revenue and Tax Refunding Bonds 3% to 4% interest; final maturity June 30, 2013	4,285,000
Series 2002 - Sewer and Water Revenue and Tax Refunding Notes; 3% to 4% interest; final maturity June 30, 2011	655,000
Series 2002B - Sewer and Water Revenue and Tax Bonds: 3% to 5.00% interest; final maturity April 1, 2025	4,650,000
Series 2005 - Sewer and Water Revenue and Tax Refunding Bonds: 3.0% to 5% interest; final maturity April 1, 2025	<u>24,670,000</u>
Total Business-Type Activities Long-Term Debt	<u>\$ 37,310,000</u>

The aforementioned bonds are secured by the full faith and credit of the City and backed by the revenues of the Water and Sewer Fund. During 2007, debt service for the aforementioned debt was provided solely by the Water and Sewer Fund.

The annual requirements, by type of issue, to amortize all long-term debt outstanding except accrued annual leave at June 30, 2007, are as follows:

Year Ending June 30,	Revenue and Tax Bonds		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 2,110,000	\$ 1,677,056	\$ 3,498,000	\$ 2,413,160	\$ 5,608,000	\$ 4,090,216
2009	2,180,000	1,601,034	3,653,000	2,297,772	5,833,000	3,898,806
2010	2,220,000	1,517,363	3,808,000	2,172,884	6,028,000	3,690,247
2011	2,270,000	1,437,915	3,440,000	2,041,626	5,710,000	3,479,541
2012	2,295,000	1,360,225	3,591,000	1,919,856	5,886,000	3,280,081
2013 - 2017	10,635,000	5,376,650	15,413,000	7,814,419	26,048,000	13,191,069
2018 - 2022	11,145,000	2,745,875	8,438,000	5,606,959	19,583,000	8,352,834
2023 - 2027	4,455,000	407,625	6,810,000	4,042,645	11,265,000	4,450,270
2028 - 2032	-	-	7,300,000	2,692,253	7,300,000	2,692,253
2033 - 2037	-	-	9,000,000	1,107,225	9,000,000	1,107,225
Totals	<u>\$ 37,310,000</u>	<u>\$ 16,123,743</u>	<u>\$ 64,951,000</u>	<u>\$ 32,108,799</u>	<u>\$ 102,261,000</u>	<u>\$ 48,232,542</u>
Less: Amount Not Drawn Down			<u>(1,370,742)</u>		<u>(1,370,742)</u>	
Debt Outstanding			<u>\$ 63,580,258</u>		<u>\$ 100,890,258</u>	

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)

E. Long-term Debt (Cont.)

Debt expense associated with the bond issues was recorded as other assets and is being amortized on a straight-line basis over the life of the issue.

All significant debt covenants and restrictions as set forth in the bond agreements were complied with.

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 46,586,662	\$ 20,311,596	\$ 3,318,000	\$ 63,580,258	\$ 3,498,000
Compensated absences	<u>3,932,473</u>	<u>561,853</u>	<u>-</u>	<u>4,494,326</u>	<u>-</u>
Total	50,519,135	20,873,449	3,318,000	68,074,584	3,498,000
Add bond issue costs	(160,954)	140,000	9,404	(291,550)	(12,095)
Less deferred amount arising from refunding	<u>(402,306)</u>	<u>-</u>	<u>51,786</u>	<u>(350,520)</u>	<u>(51,786)</u>
Total - net	<u>\$ 49,955,875</u>	<u>\$ 21,013,449</u>	<u>\$ 3,379,190</u>	<u>\$ 67,432,514</u>	<u>\$ 3,434,119</u>
Business-type activities:					
Revenue and tax bonds	\$ 39,350,000	\$ -	\$ 2,040,000	\$ 37,310,000	\$ 2,110,000
Compensated absences	<u>620,058</u>	<u>28,181</u>	<u>-</u>	<u>648,239</u>	<u>-</u>
Total	39,970,058	28,181	2,040,000	37,958,239	2,110,000
Add bond issue costs	1,894,584	-	87,164	1,807,420	87,164
Less deferred amount arising from refunding	<u>(2,439,903)</u>	<u>-</u>	<u>214,875</u>	<u>(2,225,028)</u>	<u>(214,875)</u>
Total - net	<u>\$ 39,424,739</u>	<u>\$ 28,181</u>	<u>\$ 2,342,039</u>	<u>\$ 37,540,631</u>	<u>\$ 1,982,289</u>

Advance Refunding of Debt

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service requirements on the retired bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2007, outstanding bonds considered as defeased were as follows:

Sewer and Water Revenue and Tax Bonds - 2001	<u>\$ 5,000,000</u>
Sewer and Water Revenue and Tax Bonds - 2002B	<u>\$ 20,380,000</u>
General Obligation Refunding and Improvement Bonds - 1998	<u>\$ 6,450,000</u>
Sewer and Water Revenue and Tax Bonds - Series 1997	<u>\$ 4,195,000</u>
General Obligation Public Improvement Bonds - 2000	<u>\$ 3,385,000</u>

Bonds Authorized - Unissued

At June 30, 2007, the City of Franklin had approximately \$45,000,000 in General Obligation Bonds authorized and unissued.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)

E. Long-term Debt (Cont.)

Contingent Liability

The City of Franklin entered a standby loan agreement with the City of Franklin Industrial Board in December, 2005, subsequent to an Industrial Board bond issue for \$15 million. The bond issue provided funds to purchase land for the future site of the Nissan North American Headquarters project, a 100,000 square foot building on a 50 acre campus in the McEwen Economic Development District of Franklin. The Development District is a tax-increment financing district, created under Tennessee Law, which is designed to provide funds which will retire the bond issue from property taxes on future development.

The Industrial Board had approximately three years of debt service escrowed at the inception of the project. The City of Franklin has agreed to make available short-term loans at market interest rates if the proceeds from the Development District are insufficient to cover the debt service. These loans apply only to project years three through seven (2009 through 2013), and cannot exceed \$5 million at any time during that period.

At present, expected development in the area is proceeding as projected in the debt repayment plan. If development continues at that pace, no draws upon the loan agreement will be necessary. Delays of two years or more on planned development and loss of at least one project would be required to trigger the loan agreement.

Industrial Development Bonds

The City, through its Industrial Development Board, has in the past authorized issuance of various Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and payable solely from payments received on the underlying mortgage loans. Neither the City, State, nor any political subdivision thereof is obligated in any manner for repayment of bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

NOTE 4 - OTHER INFORMATION

A. Risk Management

City of Franklin:

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for certain general liability, auto liability, errors and omissions, worker's compensation, and physical damage coverage. The City joined the Tennessee Municipal League Risk Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The City pays an annual premium to the TML for its general liability and casualty insurance coverage. The creation of the pool reinsures through commercial insurance companies for claims in excess of \$130,000 for each insured event.

The City continues to carry commercial insurance for all other risks of loss, including employees health and accident and environmental. The settled claims have not exceeded the commercial coverage or the coverage provided by the Pool in any of the past three years.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 4 – OTHER INFORMATION(Cont.)

B. Commitments and Contingencies

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the City's management expects such amounts, if any, to be immaterial.

Litigation

The City is a defendant in various lawsuits; however, the outcome of these lawsuits is not presently determinable although legal counsel does not expect any possible liability to exceed the City's limits of insurance.

Water Purchase Contract

The Water and Sewer Fund is committed under a long-term contract for the purchase of water. Minimum payments under the contract in future years are as follows

<u>Year</u>	<u>Amount</u>
2008	\$ 46,325
2009	46,325
2010	46,325
2011	46,325
2012	46,325
2013-2028	579,058
Total	<u>\$ 810,683</u>

Construction Contracts

As of June 30, 2007, construction funds of \$13,788,616 are restricted assets of the Water and Sewer Fund and designated for future capital projects.

During 2007, various street, public works and park improvement projects were in process. At June 30, 2007, there was approximately \$17,371,746 in uncompleted construction projects. These projects are being currently funded by the General, State Street Aid, Facilities Tax, Multi-Purpose Capital Project, and Water and Sewer funds.

C. Employee Retirement Systems and Pension Plans

The City of Franklin administers the City of Franklin Employees' Pension Plan and Trust (the "Plan"), a single employer defined benefit pension plan. The assets of the Plan are held for investment and may be used only for the payment of benefits to members of the plan. The Plan's fiscal year ends on December 31. It was deemed impractical to report the financial activity of the Plan as of and for the year ended June 30, 2007. Accordingly, all financial statement information regarding the Plan is as of December 31, 2006 and the year then ended.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 5 - OTHER INFORMATION (Cont.)

C. Employee Retirement Systems and Pension Plans (Cont.)

Plan Description:

Membership of the Plan consisted of the following at January 1, 2007, the date of the latest actuarial valuation:

Retirees participants and beneficiaries	88
Disabled participants	6
Vested terminated participants	80
Active plan members	<u>491</u>
Total	<u>665</u>

The Plan is a single-employer defined benefit pension plan that covers the full time employees (who work 30 hours or more per week and are employed for 1 year) of the City including all departments, except for certain department heads who may opt out of the Plan. Currently, the City Administrator, the Police Chief, Parks Director, Sanitation Director, and MIT Director have opted out of the Plan. The Plan provides retirement, termination and death benefits to plan members and beneficiaries. Cost-of-living adjustments (COLA) to plan members and beneficiaries in receipt of monthly benefits are provided at the discretion of the Board of Alderman. Section 4-204(3)(p) of the City's Charter assigns the Human Resources Director the responsibility to administer the pension program under the direction of the City Administrator. All the benefits and provisions of the Plan are at the discretion of the Board of Aldermen consistent with the laws of Tennessee and the Federal government.

Benefits and refunds of the defined benefit plan are recognized when due and payable in accordance with the terms of the plan. The financial statements of the Plan are presented solely in the Comprehensive Annual Financial Report of the City; there are no separate financial statements of the Plan issued. Administrative costs are paid from the pension fund as shown on page 24.

Contributions and Reserves (Funding Policy)

Plan members hired after July 1, 1995 are required to contribute between 3% and 10% of their annual covered salary. Any plan member may voluntarily contribute between 1% and 10% of their annual covered salary. The City has no regulatory amount to contribute but has established an informal policy to annually contribute an actuarial determined amount in four (4) quarterly installments on approximately the first day of each quarter during the fiscal year based on the previous January 1 actuarial valuation. The actuarial valuation at January 1, 2007 includes the following assumptions: (a) Interest: (Funding rates) Pre-retirement: 7.75% per year, compounded annually, net of expenses; Post-retirement: 7.75 per year, compounded annually, net of expenses, (b) Projected salary increases: Salaries are assumed to increase at 4.75% per year, and (c) Cost of living increase: Post-retirement benefit is assumed to increase at 2.0% per year.

The Plan has no long-term contracts for contributions to the Plan and no legally required reserves.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation (NPO) to the Plan are as follows:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual Pension Cost	\$ 921,562	\$1,012,719	\$3,460,272	\$3,601,512	\$3,822,506	\$4,534,899
Contribution made	<u>(934,279)</u>	<u>(1,013,736)</u>	<u>(3,461,371)</u>	<u>(3,602,700)</u>	<u>(3,823,788)</u>	<u>(4,536,240)</u>
Increase in net pension asset *	(12,717)	(1,017)	(1,099)	(1,188)	(1,282)	(1,341)
NPO (Asset) at beginning of year	<u>0</u>	<u>(12,717)</u>	<u>(13,734)</u>	<u>(14,833)</u>	<u>(16,021)</u>	<u>(17,303)</u>
NPO (Asset) at end of year	<u>(\$12,717)</u>	<u>(\$ 13,734)</u>	<u>(\$ 14,833)</u>	<u>(\$ 16,021)</u>	<u>(\$ 17,303)</u>	<u>(\$ 18,644)</u>

* Except for 2002, this amount equals the interest on the net pension obligation (NPO). In 2002, interest on NPO was zero.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 5 - OTHER INFORMATION (Cont.)

C. Employee Retirement Systems and Pension Plans (Cont.)

Trend Information

Fiscal Year Ending	Salary Assumption	Actuarial Method*	Market Value Assets	Annual Required Contribution	Actual Contribution	PBO/ Asset	Percentage of ARC Contributed
6/30/2007	4.75%	Aggregate	\$ 26,171,954	\$ 4,534,899	\$ 4,536,240	\$ (18,644)	100%
6/30/2006	5.00%	Aggregate	21,955,160	3,822,506	3,823,788	(17,303)	100%
6/30/2005	5.00%	Aggregate	17,285,876	3,601,094	3,602,700	(16,021)	100%
6/30/2004	5.00%	Aggregate	12,239,750	3,459,885	3,461,371	(14,833)	100%
6/30/2003	5.00%	Aggregate	13,325,856	1,012,560	1,013,736	(13,734)	100%
6/30/2002	5.00%	Aggregate	12,756,086	921,562	934,279	(12,717)	101%

* The aggregate cost method does not identify or separately amortize unfunded actuarial accrued liabilities.

D. Self-Insured Employee Health Insurance

The City provides medical and dental insurance to its employees and retains the risk of loss to a limit of \$105,000 per year, per employee. The City has obtained stop/loss commercial insurance policy to cover claims beyond this liability.

All full-time employees of the City are eligible to participate. Claim payments are paid by the Fund of the employee/claimant. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Claim liabilities are based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years as follows:

Fiscal Year Ending	Claims Liability, July 1	Current Year Claims and Changes in Estimates	Claims Paid	Claims Liability, June 30
6/30/2007	\$ 461,934	\$ 4,548,224	\$ (4,426,705)	\$ 583,453
6/30/2006	750,652	4,278,359	(4,567,077)	461,934
6/30/2005	368,722	4,030,985	(3,649,055)	750,652

E. Reserved Fund Balance – General Fund

The City has a "Fund Balance Policy Statement" specifying the following designations of unreserved fund balance of the General Fund:

Emergency Reserve and Cash Flow Reserved – an amount of unreserved fund balance approximately equal to, but not less than 50% of annual operating revenue of the General Fund. The reserve is for covering catastrophic loss, including natural and man-made disaster expenditures, insurance loss reserves, and limited operating expenses in a period of severe economic uncertainty.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 5 - OTHER INFORMATION (Cont.)

E. Reserved Fund Balance – General Fund (Cont.)

Property/Casualty Insurance, Health Insurance, and Retiree Health Benefits Reserve – an amount of the unreserved fund balance approximately equal to, but not less than the following reserves for:

Property Casualty Losses	\$ 950,000
Health Insurance Claims	1,000,000
Retiree Health Benefits	<u>699,930</u>
	<u>\$ 2,649,930</u>

F. Post Employment Benefits

The City provides a health insurance benefit to retirees. The cost of the benefit to the retiree depends on length of service and retirement age. In all cases, the benefit ends at age 65. No health insurance is available to retirees with less than 20 years of service. For retirees after 20 years of service and at least age 62, retirees pay only the employees' rate at the time of retirement. For retirees after 30 years and at least age 55, retirees pay Cobra rate less \$535.50/month for family coverage or less \$207.75/month for single coverage. (The City pays either the \$535.50 or \$207.75). Retirees with 25 years of service and under age 62 have a high-deductible insurance option. For fiscal year 2007, the post employment benefit cost the City \$13,792 for administrative fees and \$159,856 for claims.

G. Prior Period Adjustments

During 2007, the following prior period adjustments were made to the financials:

- In the governmental activities section of the financial statements, it was determined that capital assets had been understated by \$8,059,725 due to prior unrecorded streets and other fixed assets as well as streets that were included incorrectly in prior years. Also, it was determined court fines receivable had not been recorded on prior financials in the governmental activities which amounted to an adjustment of \$183,406.
- In the General Fund statements, it was determined that beer taxes had not been accrued which amounted to an adjustment of \$183,442.
- In the Transit Authority Fund statements, it was determined that deferred revenue had been understated by \$130,458 in the prior year on grant activity.
- In the Water and Sewer Fund, it was determined that capital assets had been understated by \$4,005,655 due to prior unrecorded developer contributions. Also, it was determined that deferred revenue in the water and sewer fund was overstated by \$4,139,818 due to an offset agreement being incorrectly recorded as deferred revenue.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF FUNDING PROGRESS - EMPLOYEE RETIREMENT SYSTEM

City of Franklin Employees' Pension Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2006	\$ 26,171,954	\$ 35,045,973	\$ 8,874,019	74.7%	\$ 20,828,286	42.6%
1/1/2005	21,955,160	28,928,380	6,973,220	75.9%	19,437,814	35.9%
1/1/2004	17,285,876	24,830,756	7,544,880	69.6%	17,560,911	43.0%
1/1/2003	12,239,750	21,983,456	9,743,706	55.7%	15,860,506	61.4%
1/1/2002	13,325,856	12,025,924	(1,299,932)	110.8%	14,157,734	-9.2%
1/1/2001	12,756,086	11,489,990	(1,266,096)	111.0%	12,525,048	-10.1%

The above schedule is designed to show the extent to which a pension plan has been successful over time in setting aside assets sufficient to cover its actuarial accrued liability.

**CITY OF FRANKLIN TENNESSEE
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS:

State Street Aid Fund – To account for the receipt and usage of the City's share of State gasoline taxes. State law requires these gasoline taxes to be used to maintain streets.

Sanitation Fund – To account for the City's solid waste collection, fleet maintenance, and disposal operations.

Facilities Tax Fund – To account for the proceeds of a tax on the privilege of engaging in the business of development and the expenditures of such monies as required by City Ordinance 88-12.

Road Impact Fee Fund – To account for the proceeds of road impact fees on new development and the expenditures of such monies as required by City Ordinance 88-13.

Drug Fund – To account for drug fines received and usage of those monies to further drug investigations.

Hotel / Motel Tax Fund – To account for the receipt of Hotel / Motel tax which has been designated for use in retiring debt related to the Conference Center which is jointly owned by the City and County, and property acquired for park purposes.

Storm Water Fund – To account for the City's storm water operations.

Transit Authority Fund – To account for the financial activities of the City's mass transit operations.

TIIP Grant Fund – To account for TIIP grant revenues and expenditures. (There are no revenues or expenditures for this fund in fiscal year 2007).

CITY OF FRANKLIN, TENNESSEE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2007

Special Revenue Funds										
	State Street Aid Fund	Sanitation Fund	Facilities Tax Fund	Road Impact Fee Fund	Drug Fund	Hotel / Motel Tax Fund	Storm Water Fund	Transit Authority Fund	TIIP Grant Fund	Other Governmental Funds Totals
ASSETS										
Cash and cash equivalents	\$ 961,310	\$ -	\$ 2,409,425	\$ 4,313,599	\$ 383,134	\$ 1,648,951	\$ 2,125,243	\$ -	\$ -	\$ 11,841,662
Investments	-	-	2,983,595	-	-	-	-	-	-	2,983,595
Receivables:										
Accounts (net of allowance for uncollectible accounts)	-	311,049	-	-	-	-	161,109	8,428	435,538	916,124
Intergovernmental	265,354	-	-	-	-	145,532	-	-	-	410,886
Grants	-	-	-	-	-	-	-	989,725	-	989,725
Other	-	-	52,749	-	-	-	-	-	-	52,749
Due from other funds	-	-	-	-	5,823	-	-	-	-	5,823
Inventory	-	89,304	-	-	-	-	-	-	-	89,304
Prepaid expenses	-	-	-	-	1,800	-	-	-	-	1,800
Total assets	\$ 1,226,664	\$ 400,353	\$ 5,445,769	\$ 4,313,599	\$ 390,757	\$ 1,794,483	\$ 2,286,352	\$ 998,153	\$ 435,538	\$ 17,291,668
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 157,249	\$ 261,275	\$ 573,548	\$ 449,468	\$ 9,266	\$ 36,666	\$ 19,294	\$ 8,428	\$ -	\$ 1,515,194
Accrued expenses	-	74,013	-	-	-	-	11,109	-	-	85,122
Due to other funds	-	65,065	-	-	-	-	-	989,725	435,538	1,490,328
Deferred revenue	-	-	-	-	-	-	-	793,331	-	793,331
Total liabilities	157,249	400,353	573,548	449,468	9,266	36,666	30,403	1,791,484	435,538	3,883,975
Fund balances										
Unreserved, undesignated	1,069,415	-	4,872,221	3,864,131	381,491	1,757,817	2,255,949	(793,331)	-	13,407,693
Total fund balances	1,069,415	-	4,872,221	3,864,131	381,491	1,757,817	2,255,949	(793,331)	-	13,407,693
Total liabilities and fund balances	\$ 1,226,664	\$ 400,353	\$ 5,445,769	\$ 4,313,599	\$ 390,757	\$ 1,794,483	\$ 2,286,352	\$ 998,153	\$ 435,538	\$ 17,291,668

CITY OF FRANKLIN, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	State Street Aid Fund	Sanitation Fund	Facilities Tax Fund	Road Impact Fee Fund	Drug Fund	Hotel / Motel Tax Fund	Storm Water Fund	Transit Authority Fund	TIIP Grant Fund	Other Governmental Funds Totals
Revenues:										
Taxes										
Hotel / Motel tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,424,754	\$ -	\$ -	\$ -	\$ 1,424,754
Facilities tax	-	-	3,616,202	-	-	-	-	-	-	3,616,202
Licenses and permits	-	-	-	2,258,834	-	-	-	-	-	2,258,834
Fines and fees	-	-	-	-	203,913	-	-	-	-	203,913
Charges for services	-	2,666,408	-	-	-	-	1,913,537	42,558	-	4,622,503
Intergovernmental	1,506,153	14,187	-	-	-	-	-	196,394	-	1,716,734
Use of money and property	49,035	-	199,342	131,397	8,932	200,220	-	6,931	-	595,857
Miscellaneous and other	-	-	-	-	-	-	48,869	-	-	48,869
Total revenues	1,555,188	2,680,595	3,815,544	2,390,231	212,845	1,624,974	1,962,406	245,883	-	14,487,666
Expenditures:										
Current:										
General government	-	-	72,193	-	-	1,072	-	-	-	73,265
Police	-	-	-	-	144,463	-	-	-	-	144,463
Highways and streets	227,730	-	-	-	-	-	-	-	-	227,730
Storm water	-	-	-	-	-	-	1,012,728	-	-	1,012,728
Sanitation	-	5,954,751	-	-	-	-	-	-	-	5,954,751
Transit	-	-	-	-	-	-	-	973,234	-	973,234
Capital outlay	1,158,455	145,267	4,430,119	944,950	61,772	153,009	334,631	794,752	-	8,022,955
Debt service	-	682,757	-	1,334,715	-	1,276,506	-	-	-	3,293,978
Total expenditures	1,386,185	6,782,775	4,502,312	2,279,665	206,235	1,430,587	1,347,359	1,767,986	-	19,703,104
Excess (deficiency) of revenues over (under) expenditures	169,003	(4,102,180)	(686,768)	110,566	6,610	194,387	615,047	(1,522,103)	-	(5,215,438)
Other financing sources (uses)										
Operating transfers to	-	4,102,180	-	-	79,345	-	-	859,230	-	5,040,755
Net changes in fund balances	169,003	-	(686,768)	110,566	85,955	194,387	615,047	(662,873)	-	(174,683)
Fund balances - beginning	900,412	-	5,558,989	3,753,565	295,536	1,563,430	1,640,902	-	-	13,712,834
Prior period adjustment	-	-	-	-	-	-	-	(130,458)	-	(130,458)
Fund balances - beginning - restated	900,412	-	5,558,989	3,753,565	295,536	1,563,430	1,640,902	(130,458)	-	13,582,376
Fund balances - ending	\$ 1,069,415	\$ -	\$ 4,872,221	\$ 3,864,131	\$ 381,491	\$ 1,757,817	\$ 2,255,949	\$ (793,331)	\$ -	\$ 13,407,693

CITY OF FRANKLIN, TENNESSEE
STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Gasoline tax, State of Tennessee	\$ 1,506,400	\$ 1,506,400	\$ 1,506,153	\$ (247)
Use of money and property:				
Contributions from developers	-	-	25,000	25,000
Interest earned	2,800	2,800	24,035	21,235
Total revenues	<u>1,509,200</u>	<u>1,509,200</u>	<u>1,555,188</u>	<u>45,988</u>
Expenditures:				
Current:				
Highways and streets:				
Street maintenance and improvement	80,000	179,328	227,730	48,402
Capital outlay	<u>1,635,010</u>	<u>2,123,346</u>	<u>1,158,455</u>	<u>(964,891)</u>
Total expenditures	<u>1,715,010</u>	<u>2,302,674</u>	<u>1,386,185</u>	<u>(916,489)</u>
Net changes in fund balances	<u>\$ (205,810)</u>	<u>\$ (793,474)</u>	169,003	<u>\$ 962,477</u>
Fund balance - beginning			<u>900,412</u>	
Fund balance - ending			<u>\$ 1,069,415</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
SANITATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services:				
Garbage fees	\$ 2,476,305	\$ 2,651,305	\$ 2,652,411	\$ 1,106
Sale of waste containers	-	15,000	13,997	(1,003)
Intergovernmental:				
Grants	-	15,000	14,187	(813)
Total revenues	<u>2,476,305</u>	<u>2,681,305</u>	<u>2,680,595</u>	<u>(710)</u>
Expenditures:				
Current:				
Personnel	3,228,780	3,228,780	3,012,871	(215,909)
Operations	2,383,221	2,753,221	2,941,880	188,659
Debt service	645,008	645,008	682,757	37,749
Capital outlay	139,373	157,373	145,267	(12,106)
Total expenditures	<u>6,396,382</u>	<u>6,784,382</u>	<u>6,782,775</u>	<u>(1,607)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,920,077)</u>	<u>(4,103,077)</u>	<u>(4,102,180)</u>	<u>897</u>
Other financing sources (uses)				
Operating transfers from other funds	<u>3,920,077</u>	<u>4,103,077</u>	<u>4,102,180</u>	<u>(897)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u>\$ -</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
FACILITIES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 207

	Budgeted Amounts			Variance with Final Budget Over (Under)
Revenues:	Original	Final	Actual	
Licenses and permits				
Facilities tax	\$ 2,500,000	\$ 2,500,000	\$ 3,616,202	\$ 1,116,202
Intergovernmental:				
Parks grant	-	100,000	-	(100,000)
Use of money and property				
Interest earned	100,000	100,000	199,342	99,342
Total revenues	<u>2,600,000</u>	<u>2,700,000</u>	<u>3,815,544</u>	<u>1,115,544</u>
Expenditures:				
Capital outlay	7,142,965	8,254,235	4,430,119	(3,824,116)
Other costs	6,400	3,800	72,193	68,393
Total expenditures	<u>7,149,365</u>	<u>8,258,035</u>	<u>4,502,312</u>	<u>(3,755,723)</u>
Net changes in fund balances	<u>\$ (4,549,365)</u>	<u>\$ (5,558,035)</u>	(686,768)	<u>\$ 4,871,267</u>
Fund balance - beginning			<u>5,558,989</u>	
Fund balance - ending			<u>\$ 4,872,221</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
ROAD IMPACT FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues:				<u>Over (Under)</u>
Licenses and permits:				
Road impact fee	\$ 3,350,000	\$ 3,350,000	\$ 2,258,834	\$ (1,091,166)
Use of money and property:				
Interest earned	20,000	20,000	131,397	111,397
Total revenues	<u>3,370,000</u>	<u>3,370,000</u>	<u>2,390,231</u>	<u>(979,769)</u>
Expenditures:				
Capital outlay - streets	3,444,050	3,266,632	944,950	(2,321,682)
Debt service	<u>1,730,572</u>	<u>1,730,572</u>	<u>1,334,715</u>	<u>(395,857)</u>
Total expenditures	<u>5,174,622</u>	<u>4,997,204</u>	<u>2,279,665</u>	<u>(2,717,539)</u>
Net changes in fund balances	<u>\$ (1,804,622)</u>	<u>\$ (1,627,204)</u>	110,566	<u>\$ 1,737,770</u>
Fund balance - beginning			<u>3,753,565</u>	
Fund balance - ending			<u>\$ 3,864,131</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Over (Under)
Revenues:				
Use of money and property:				
Interest earned	2,205	2,205	8,932	6,727
Fines and fees:				
Seized assets/unclaimed evidence	27,563	27,563	203,913	176,350
Total revenues	<u>29,768</u>	<u>29,768</u>	<u>212,845</u>	<u>183,077</u>
Expenditures:				
Current:				
Public safety:				
Drug-related	171,450	171,450	144,463	(26,987)
Capital outlay	92,300	92,300	61,772	(30,528)
Total expenditures	<u>263,750</u>	<u>263,750</u>	<u>206,235</u>	<u>(57,515)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(233,982)</u>	<u>(233,982)</u>	<u>6,610</u>	<u>240,592</u>
Other financing sources (uses)				
Operating transfers from other funds	77,175	80,000	79,345	(655)
Net changes in fund balances	<u>\$ (156,807)</u>	<u>\$ (153,982)</u>	<u>85,955</u>	<u>\$ 239,937</u>
Fund balance - beginning			<u>295,536</u>	
Fund balance - ending			<u>\$ 381,491</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
HOTEL / MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Over (Under)</u>
Revenues:				
Taxes:				
Hotel / Motel tax	\$ 1,115,454	\$ 1,115,454	\$ 1,424,754	\$ 309,300
Use of money and property:				
Distributions from conference center	300,000	160,000	162,499	2,499
Interest earned	6,500	6,500	37,721	31,221
Total Revenues	<u>1,421,954</u>	<u>1,281,954</u>	<u>1,624,974</u>	<u>343,020</u>
Expenditures:				
Current:				
Miscellaneous	-	-	1,072	1,072
Capital outlay	-	149,095	153,009	3,914
Debt service	1,281,959	1,281,959	1,276,506	(5,453)
Total expenditures	<u>1,281,959</u>	<u>1,431,054</u>	<u>1,430,587</u>	<u>(467)</u>
Net changes in fund balances	<u>\$ 139,995</u>	<u>\$ (149,100)</u>	194,387	<u>\$ 343,487</u>
Fund balance - beginning			<u>1,563,430</u>	
Fund balance - ending			<u>\$ 1,757,817</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
STORM WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Charges for services:				
Customer services	\$ 1,835,500	\$ 1,835,500	\$ 1,913,537	\$ 78,037
Miscellaneous:				
Program income	1,650	1,650	48,869	47,219
Total revenues	<u>1,837,150</u>	<u>1,837,150</u>	<u>1,962,406</u>	<u>125,256</u>
Expenditures:				
Current:				
Storm water costs:				
Personnel	593,556	593,556	530,277	(63,279)
Operations	601,530	967,053	482,451	(484,602)
Capital outlay	820,000	976,002	334,631	(641,371)
Total expenditures	<u>2,015,086</u>	<u>2,536,611</u>	<u>1,347,359</u>	<u>(1,189,252)</u>
Net changes in fund balances	<u>\$ (177,936)</u>	<u>\$ (699,461)</u>	615,047	<u>\$ 1,314,508</u>
Fund balance - beginning			<u>1,640,902</u>	
Fund balance - ending			<u>\$ 2,255,949</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
TRANSIT AUTHORITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues:				Over (Under)
Intergovernmental:				
Grants	\$ 2,334,918	\$ 2,334,918	\$ 196,394	\$ (2,138,524)
Charges for services:				
Transit fares	99,993	81,917	42,558	(39,359)
Uses of money and property:				
Rental income	-	3,000	3,333	333
Interest earnings	-	-	3,598	3,598
Total revenues	<u>2,434,911</u>	<u>2,419,835</u>	<u>245,883</u>	<u>(2,173,952)</u>
Expenditures:				
Current:				
Operations	954,400	954,400	901,300	(53,100)
Other	-	-	71,934	71,934
Capital outlay	<u>2,325,163</u>	<u>2,325,163</u>	<u>794,752</u>	<u>(1,530,411)</u>
Total expenditures	<u>3,279,563</u>	<u>3,279,563</u>	<u>1,767,986</u>	<u>(1,511,577)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(844,652)</u>	<u>(859,728)</u>	<u>(1,522,103)</u>	<u>(662,375)</u>
Other financing sources (uses):				
Transfer from other funds	<u>849,728</u>	<u>859,728</u>	<u>859,230</u>	<u>(498)</u>
Net changes in fund balances	<u>\$ 5,076</u>	<u>\$ -</u>	<u>(662,873)</u>	<u>\$ (662,873)</u>
Fund balance - beginning			-	
Prior period adjustment			<u>(130,458)</u>	
Fund balance - beginning - restated			<u>(130,458)</u>	
Fund balance - ending			<u>\$ (793,331)</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATIONS OF THE GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Function and Activity	Balance June 30, 2006	Prior Period Adjustments	Additions	Disposals	Transfers	Balance June 30, 2007
General government:						
General	\$ 13,360,251	\$ -	\$ 364,320	\$ (153,488)	\$ (544,155)	\$ 13,026,928
Telephone system	105,184	-	-	-	-	105,184
Traffic	198,632	-	-	-	-	198,632
Parking garage	9,410,779	-	-	(33,619)	-	9,377,160
Fleet management	45,682	-	-	-	-	45,682
Traffic operation center	1,537,439	-	-	-	-	1,537,439
Transit operations	226,046	92,028	780,169	-	544,155	1,642,398
Administration	161,759	-	24,853	-	4,748	191,360
Codes	284,766	-	65,469	(27,332)	(29,766)	293,137
Engineering	333,261	12,883	-	(12,431)	-	333,713
Finance	298,607	-	19,740	-	-	318,347
Fire department	13,425,475	-	3,788,455	(695,523)	(1,986)	16,516,421
Management information & technology	7,617,438	-	4,200,673	-	-	11,818,111
Parks	32,580,689	67,874	2,838,036	(241,636)	19,935	35,264,898
Human resources	43,311	-	-	-	-	43,311
Police department	9,586,090	52,242	1,691,474	(155,314)	47,150	11,221,642
Sanitation	14,682,193	265,848	552,727	(216,339)	(31,473)	15,252,956
Maintenance	8,000	15,838	-	-	14,935	38,773
Channel 10	5,174	16,118	21,044	-	-	42,336
Storm water	702,459	-	106,294	-	-	808,753
Streets	5,593,516	147,399	2,076,962	(53,972)	-	7,763,905
Infrastructure - highways, streets and bridges	306,872,555	7,652,328	51,094,072	(184,443)	-	365,434,512
Conference Center - 1/2 interest	6,478,113	-	-	(8,616)	-	6,469,497
Planning	96,024	-	27,953	-	(23,543)	100,434
Total	\$ 423,653,443	\$ 8,322,558	\$ 67,652,241	\$ (1,782,713)	\$ -	\$ 497,845,529

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATIONS OF THE GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Function and Activity	Land	Buildings and Structures	Conference Center	Improvements Other than Buildings	Equipment	Infrastructure	Construction in Process	Total
General government:								
General	\$ 8,862,808	\$ 3,753,387	\$ -	\$ -	\$ 410,733	\$ -	\$ -	\$ 13,026,928
Telephone system	-	-	-	-	105,184	-	-	105,184
Traffic	-	-	-	-	198,632	-	-	198,632
Parking garage	223,879	9,153,281	-	-	-	-	-	9,377,160
Fleet management	-	16,850	-	-	28,832	-	-	45,682
Traffic operation center	-	-	-	-	1,537,439	-	-	1,537,439
Transit operations	35,626	899,685	-	-	707,087	-	-	1,642,398
Administration	-	-	-	-	191,360	-	-	191,360
Codes	-	-	-	-	293,137	-	-	293,137
Engineering	-	-	-	-	333,713	-	-	333,713
Finance	-	-	-	-	318,347	-	-	318,347
Fire department	870,124	7,304,051	-	-	6,385,431	-	1,956,815	16,516,421
Management information & technology	-	-	-	-	11,818,111	-	-	11,818,111
Parks	17,580,062	477,163	-	14,347,668	793,278	-	2,066,727	35,264,898
Human resources	-	-	-	-	43,311	-	-	43,311
Police department	4,548,879	1,172,563	-	-	4,583,025	-	917,175	11,221,642
Sanitation	795,014	9,657,816	-	-	4,800,126	-	-	15,252,956
Maintenance	-	-	-	-	38,773	-	-	38,773
Channel 10	-	-	-	-	42,336	-	-	42,336
Storm water	35,000	-	-	-	773,753	-	-	808,753
Streets	5,037,246	200,164	-	-	2,526,495	-	-	7,763,905
Infrastructure - highways, streets and bridges	-	-	-	-	-	361,735,516	3,698,996	365,434,512
Conference Center - 1/2 interest	-	-	-	-	-	-	-	6,469,497
Planning	-	-	6,469,497	-	-	-	-	6,469,497
Total	\$ 37,988,638	\$ 32,634,960	\$ 6,469,497	\$ 14,347,668	\$ 36,029,537	\$ 361,735,516	\$ 8,639,713	\$ 497,845,529

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Year of Levy	Balance June 30, 2006	Taxes Levied	Adjustments and Collections	Balance June 30, 2007
2006	\$ -	\$ 9,611,622	\$ (9,435,282)	\$ 176,340
2005	176,216	-	(139,669)	36,547
2004	27,705	-	(21,042)	6,663
2003	9,303	-	(3,177)	6,126
2002	14,139	-	(367)	13,772
2001	15,670	-	(1,895)	13,775
2000	7,019	-	(1,429)	5,590
1999	6,796	-	(71)	6,725
1998	3,839	-	(5)	3,834
1997	4,597	-	(1,079)	3,518
1996	4,257	-	(1,075)	3,182
1995	1,820	-	(1,820)	-
	<u>\$ 271,361</u>	<u>\$ 9,611,622</u>	<u>\$ (9,606,911)</u>	<u>276,072</u>

Above balances represented as follows:

Considered current revenue	59,551
Allowance for uncollectible accounts	72,485
Deferred revenue	<u>144,036</u>
	276,072
2007 tax levy due October 1, 2007 considered as deferred revenue	<u>10,214,014</u>
Total taxes receivable	<u>\$ 10,490,086</u>

Note: Taxes become delinquent in March of the year following the tax year of levy. Delinquent taxes are turned over to the County Clerk and Master for collection proceedings.

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT
JUNE 30, 2007

	City of Clarksville Pooled Loan Program Series 2001		General Improvement Refunding Bonds Series 2002		Capital Improvement Bonds Series 2007		Tennessee Municipal Variable Rate Pooled Loan Program - Series 2001		General Improvement Refunding Bonds Series 2002	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 326,000	\$ 126,160	\$ 435,000	\$ 112,037	\$ -	\$ 798,000	\$ 127,000	\$ 48,738	\$ 790,000	\$ 190,275
2009	337,000	115,337	455,000	95,325	-	798,000	131,000	44,966	815,000	168,175
2010	348,000	104,148	475,000	76,725	-	798,000	135,000	41,075	835,000	143,425
2011	360,000	92,594	495,000	56,706	-	798,000	140,000	37,066	865,000	117,925
2012	372,000	80,643	515,000	35,244	-	798,000	144,000	32,908	885,000	91,675
2013	385,000	68,292	540,000	12,150	-	798,000	149,000	28,631	915,000	63,531
2014	397,000	55,510	-	-	-	798,000	153,000	24,206	945,000	32,125
2015	411,000	42,330	-	-	-	798,000	158,000	19,661	430,000	7,794
2016	425,000	28,685	-	-	-	798,000	163,000	14,969	-	-
2017	439,000	14,575	-	-	-	798,000	168,000	10,128	-	-
2018	-	-	-	-	-	798,000	173,000	5,138	-	-
2019	-	-	-	-	-	798,000	-	-	-	-
2020	-	-	-	-	-	798,000	-	-	-	-
2021	-	-	-	-	-	798,000	-	-	-	-
2022	-	-	-	-	-	798,000	-	-	-	-
2023	-	-	-	-	-	798,000	-	-	-	-
2024	-	-	-	-	-	798,000	-	-	-	-
2025	-	-	-	-	1,175,000	798,000	-	-	-	-
2026	-	-	-	-	1,225,000	751,117	-	-	-	-
2027	-	-	-	-	1,300,000	702,240	-	-	-	-
2028	-	-	-	-	1,350,000	650,370	-	-	-	-
2029	-	-	-	-	1,400,000	596,505	-	-	-	-
2030	-	-	-	-	1,450,000	540,645	-	-	-	-
2031	-	-	-	-	1,525,000	482,790	-	-	-	-
2032	-	-	-	-	1,575,000	421,943	-	-	-	-
2033	-	-	-	-	1,650,000	359,100	-	-	-	-
2034	-	-	-	-	1,725,000	293,265	-	-	-	-
2035	-	-	-	-	1,800,000	224,437	-	-	-	-
2036	-	-	-	-	1,875,000	152,618	-	-	-	-
2037	-	-	-	-	1,950,000	77,805	-	-	-	-
	<u>\$ 3,800,000</u>	<u>\$ 728,274</u>	<u>\$ 2,915,000</u>	<u>\$ 388,187</u>	<u>\$ 20,000,000</u>	<u>\$ 19,616,835</u>	<u>\$ 1,641,000</u>	<u>\$ 307,486</u>	<u>\$ 6,480,000</u>	<u>\$ 814,925</u>

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS (Cont.)
GENERAL OBLIGATION DEBT
JUNE 30, 2007

	General Obligation Public Improvement Bonds Series 2004		Local Government Public Improvement Bonds Series VI-B-1		General Obligation Public Improvement Refunding Bonds - Series 2005		Public Building Authority of the City of Lawrenceburg, TN Loan Agreement		Tennessee Municipal Bond Fund Variable Rate Pool Loan Program		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 235,000	\$ 291,294	\$ 560,000	\$ 497,600	\$ 495,000	\$ 45,900	\$ 240,000	\$ 154,756	\$ 290,000	\$ 148,400	\$ 3,498,000	\$ 2,413,160
2009	260,000	285,419	575,000	475,200	510,000	31,050	250,000	146,050	320,000	138,250	3,653,000	2,297,772
2010	290,000	278,269	595,000	452,200	525,000	15,750	255,000	136,242	350,000	127,050	3,808,000	2,172,884
2011	320,000	269,569	615,000	428,400	-	-	265,000	126,566	380,000	114,800	3,440,000	2,041,626
2012	355,000	259,569	635,000	403,800	-	-	275,000	116,517	410,000	101,500	3,591,000	1,919,856
2013	390,000	248,031	655,000	378,400	-	-	285,000	106,402	440,000	87,150	3,759,000	1,790,587
2014	430,000	234,381	675,000	352,200	-	-	295,000	95,305	470,000	71,750	3,365,000	1,663,477
2015	445,000	219,331	700,000	325,200	-	-	310,000	84,047	500,000	55,300	2,954,000	1,551,663
2016	460,000	203,200	725,000	297,200	-	-	320,000	72,324	530,000	37,800	2,623,000	1,452,178
2017	480,000	185,950	745,000	268,200	-	-	330,000	60,411	550,000	19,250	2,712,000	1,356,514
2018	495,000	167,350	770,000	238,400	-	-	345,000	47,669	-	-	1,783,000	1,256,557
2019	515,000	147,550	795,000	207,600	-	-	355,000	34,644	-	-	1,665,000	1,187,794
2020	535,000	126,950	825,000	175,800	-	-	370,000	21,153	-	-	1,730,000	1,121,903
2021	560,000	104,881	850,000	142,800	-	-	385,000	7,143	-	-	1,795,000	1,052,824
2022	585,000	81,081	880,000	108,800	-	-	-	-	-	-	1,465,000	987,881
2023	610,000	55,488	905,000	73,600	-	-	-	-	-	-	1,515,000	927,088
2024	640,000	28,800	955,000	37,400	-	-	-	-	-	-	1,595,000	864,200
2025	-	-	-	-	-	-	-	-	-	-	1,175,000	798,000
2026	-	-	-	-	-	-	-	-	-	-	1,225,000	751,117
2027	-	-	-	-	-	-	-	-	-	-	1,300,000	702,240
2028	-	-	-	-	-	-	-	-	-	-	1,350,000	650,370
2029	-	-	-	-	-	-	-	-	-	-	1,400,000	596,505
2030	-	-	-	-	-	-	-	-	-	-	1,450,000	540,645
2031	-	-	-	-	-	-	-	-	-	-	1,525,000	482,790
2032	-	-	-	-	-	-	-	-	-	-	1,575,000	421,943
2033	-	-	-	-	-	-	-	-	-	-	1,650,000	359,100
2034	-	-	-	-	-	-	-	-	-	-	1,725,000	293,265
2035	-	-	-	-	-	-	-	-	-	-	1,800,000	224,437
2036	-	-	-	-	-	-	-	-	-	-	1,875,000	152,618
2037	-	-	-	-	-	-	-	-	-	-	1,950,000	77,805
	<u>\$ 7,605,000</u>	<u>\$ 3,187,113</u>	<u>\$ 12,460,000</u>	<u>\$ 4,862,800</u>	<u>\$ 1,530,000</u>	<u>\$ 92,700</u>	<u>\$ 4,280,000</u>	<u>\$ 1,209,229</u>	<u>\$ 4,240,000</u>	<u>\$ 901,250</u>	<u>\$ 64,951,000</u>	<u>\$ 32,108,799</u>
							Less amount not drawn down		(1,370,742)		(1,370,742)	
							Debt outstanding at year end		<u>\$ 2,869,258</u>		<u>\$ 63,580,258</u>	

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
PROPRIETARY FUND DEBT
JUNE 30, 2007

Fiscal Year	Sewer & Water System				Sewer & Water				Water & Sewer				Sewer & Water				Sewer & Water				Totals			
	Revenue & Tax Refunding Bonds-Series 2002A		Capital Outlay Notes Series 2002A		Revenue & Tax Refunding Bonds-Series 2005		Revenue & Tax Refunding Bonds-Series 2002		Revenue & Tax Refunding Bonds-Series 1999		Revenue & Tax Refunding Bonds-Series 2002		Revenue & Tax Refunding Bonds-Series 2002		Revenue & Tax Refunding Bonds-2001		Revenue & Tax Refunding Bonds-Series 2002		Revenue & Tax Refunding Bonds-2001		Totals		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 650,000	\$ 150,050	\$ 155,000	\$ 21,113	\$ -	\$ 1,208,250	\$ 425,000	\$ 192,625	\$ 340,000	\$ 53,034	\$ 245,000	\$ 21,688	\$ 295,000	\$ 30,296	\$ 2,110,000	\$ 1,677,056	\$ -	\$ -	\$ 295,000	\$ 30,296	\$ 2,110,000	\$ 1,677,056	\$ -	\$ -
2009	670,000	128,575	160,000	15,988	-	1,208,250	450,000	177,750	355,000	39,131	245,000	12,500	300,000	18,840	2,180,000	1,601,034	-	-	300,000	18,840	2,180,000	1,601,034	-	-
2010	700,000	103,725	165,000	10,094	-	1,208,250	475,000	160,875	375,000	24,161	190,000	3,800	315,000	6,458	2,220,000	1,517,363	-	-	315,000	6,458	2,220,000	1,517,363	-	-
2011	725,000	76,100	175,000	3,500	280,000	1,208,250	700,000	141,875	390,000	8,190	-	-	-	-	2,270,000	1,437,915	-	-	-	-	2,270,000	1,437,915	-	-
2012	755,000	46,500	-	-	290,000	1,199,850	1,250,000	113,875	-	-	-	-	-	-	2,295,000	1,360,225	-	-	-	-	2,295,000	1,360,225	-	-
2013	785,000	15,700	-	-	295,000	1,189,700	1,350,000	60,750	-	-	-	-	-	-	2,430,000	1,266,150	-	-	-	-	2,430,000	1,266,150	-	-
2014	-	-	-	-	2,010,000	1,179,375	-	-	-	-	-	-	-	-	2,010,000	1,179,375	-	-	-	-	2,010,000	1,179,375	-	-
2015	-	-	-	-	2,030,000	1,078,875	-	-	-	-	-	-	-	-	2,030,000	1,078,875	-	-	-	-	2,030,000	1,078,875	-	-
2016	-	-	-	-	2,050,000	977,375	-	-	-	-	-	-	-	-	2,050,000	977,375	-	-	-	-	2,050,000	977,375	-	-
2017	-	-	-	-	2,115,000	874,875	-	-	-	-	-	-	-	-	2,115,000	874,875	-	-	-	-	2,115,000	874,875	-	-
2018	-	-	-	-	2,150,000	769,125	-	-	-	-	-	-	-	-	2,150,000	769,125	-	-	-	-	2,150,000	769,125	-	-
2019	-	-	-	-	2,220,000	661,625	-	-	-	-	-	-	-	-	2,220,000	661,625	-	-	-	-	2,220,000	661,625	-	-
2020	-	-	-	-	2,240,000	550,625	-	-	-	-	-	-	-	-	2,240,000	550,625	-	-	-	-	2,240,000	550,625	-	-
2021	-	-	-	-	2,255,000	438,625	-	-	-	-	-	-	-	-	2,255,000	438,625	-	-	-	-	2,255,000	438,625	-	-
2022	-	-	-	-	2,280,000	325,875	-	-	-	-	-	-	-	-	2,280,000	325,875	-	-	-	-	2,280,000	325,875	-	-
2023	-	-	-	-	1,555,000	211,875	-	-	-	-	-	-	-	-	1,555,000	211,875	-	-	-	-	1,555,000	211,875	-	-
2024	-	-	-	-	1,450,000	134,125	-	-	-	-	-	-	-	-	1,450,000	134,125	-	-	-	-	1,450,000	134,125	-	-
2025	-	-	-	-	1,450,000	61,625	-	-	-	-	-	-	-	-	1,450,000	61,625	-	-	-	-	1,450,000	61,625	-	-
	\$ 4,285,000	\$ 520,650	\$ 655,000	\$ 50,695	\$ 24,670,000	\$ 14,486,550	\$ 4,650,000	\$ 847,750	\$ 1,460,000	\$ 124,516	\$ 680,000	\$ 37,988	\$ 910,000	\$ 55,594	\$ 37,310,000	\$ 16,123,743			\$ 910,000	\$ 55,594	\$ 37,310,000	\$ 16,123,743		

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF INSURANCE COVERAGE - UNAUDITED
June 30, 2007 (Effective July 1, 2007)

<u>Subject of Insurance</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Buildings and contents	Property damage (replacement cost, with \$10,000 deductible per occurrence)	\$ 121,399,821
Crime Policy	Employee dishonesty	150,000
	Forgery or alteration	150,000
	Theft, disappearance or destruction	150,000
	Computer fraud	150,000
Worker's Compensation		Statutory Limits
Employers Liability Coverage	Bodily injury - by accident - each accident	250,000
	Bodily injury - by disease - policy limit	600,000
	Bodily injury - by disease - each employee	250,000
Automobile Liability - Automobile coverage for all owned vehicles	Per tort liability in policy - deductible per occurrence	5,000
	Comprehensive deductible - per occurrence	5,000
	Collision deductible - per occurrence	5,000
	Limit of liability	1,000,000
Law Enforcement Liability	Limit of liability	1,000,000
	Deductible	5,000
Errors & Omissions	Limit of liability	1,000,000
	Deductible	5,000
Mobile Equipment Coverage	Property damage (replacement cost, with \$250 deductible per occurrence)	3,805,841
Computer Coverage	Blanket - all locations (replacement cost, with \$250 deductible per occurrence)	3,936,893

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF PRINCIPAL OFFICIALS' SALARIES AND SURETY BONDS - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2007

<u>Official Title</u>	<u>Monthly Salary</u>	<u>Surety Bond</u>
Mayor	\$ 800	(1)
City Administrator	\$ 10,342	(1)
Aldermen	\$ 400 each	(1)

(1) Public officials liability policy with aggregate coverage of \$1,000,000

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF UTILITY RATES, FEES AND OTHER INFORMATION - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2007

Service:	Number of Customers	Fees
Water	16,293	\$ 6,114,257
Sewer	19,078	6,432,923
Residential Rates:	Inside City Limits	Outside City Limits
Gallons	per 1,000 gallons	per 1,000 gallons
First 10,000	\$ 3.22	\$ 5.52
Over 10,000	2.60	4.43
Commercial Rates:	Inside City Limits	Outside City Limits
Gallons	per 1,000 gallons	per 1,000 gallons
First 10,000	\$ 4.01	\$ 6.81
Over 10,000	2.97	4.89

A minimum charge of 1,000 gallons per customer shall be levied.

For all water furnished by the City of Franklin to consumers outside the corporate limits of the City of Franklin, the rate charged is approximately 171% of the rate charged to customers within the corporate limits. The sewer service charge is approximately 95% of the water rate.

The unaccounted for water percentage for 2007 is 19%. (2,214,228,000 gallons pumped; 1,793,998,262 gallons sold.)

Tap Fees:

Meter Size	Water Tap Fee	Sewer Tap Fee
3/4"	\$ 860	\$ 1,375
1"	3,440	5,500
1-1/2"	8,256	13,200
2"	11,008	17,600
3"	24,080	38,500
4"	34,400	55,000
6"	82,560	132,000
8"	103,200	165,000

Installation Charges:

Water Meter Size	Complete Installation	Installation of meter box only
3/4"	\$ 720	\$ 300
1"	854	356
1-1/2"	1,375	625
2"	2,117	1,297
3"	3,480	1,506
4"	5,230	2,541
6"	7,035	4,498
8"	13,438	9,803

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF UTILITY RATES, FEES AND OTHER INFORMATION - UNAUDITED (Cont.)
FOR THE YEAR ENDED JUNE 30, 2007

Access Fees:			
Meter Size		Water Access Fee	Sewer Access Fee
3/4"		\$ 1,130	\$ 2,000
1"		4,520	8,000
1-1/2"		10,848	19,200
2"		14,464	25,600
3"		31,640	56,000
4"		45,200	80,000
6"		108,480	192,000
8"		135,600	240,000

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<u>Source/Grant Name</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Balance 6/30/2006 (Receivable) Unearned</u>	<u>Adjustment</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance 6/30/07 (Receivable) Unearned</u>
U.S. DEPARTMENT OF JUSTICE							
Ballistic Vests	16.607	N/A	\$ (2,475)	\$ -	\$ 2,475	\$ (5,134)	\$ (5,134)
Law enforcement Block Grant #8	16.738	2005-DJ-BX-1239	-	-	11,331	(10,162)	1,169
Total U.S. Department of Justice			(2,475)	-	13,806	(15,296)	(3,965)
U.S. DEPARTMENT OF TRANSPORTATION							
Ride Share Program**	20.205	STP-M-9305	(48,988)	-	156,196	(218,423)	(111,215)
CMAQ Grant**	20.205	STP-M-9305	(71,009)	-	71,009	(13,385)	(13,385)
Transit Facilities Purchase Grant**	20.500	FTA 5309	(109,485)	29,485	80,000	-	-
Transit Facilities Purchase Grant**	20.507*	FTA 5309	(86,478)	-	-	(606,807)	(693,285)
Total U.S. Department of Transportation			(315,960)	29,485	307,205	(838,615)	(817,885)
FEDERAL EMERGENCY MANAGEMENT AGENCY							
FEMA Grant	97.036	FEMA-3217-EM-TN	(79,863)	-	59,898	-	(19,965)
Total Federal Emergency Management Agency			(79,863)	-	59,898	-	(19,965)
U.S. DEPARTMENT OF HOMELAND SECURITY							
Homeland Security Grant	97.078	Z-05-031030 00	-	-	49,118	(49,118)	-
Total U.S. Department of Homeland Security			-	-	49,118	(49,118)	-
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION							
Drainage grant	66.606*	XP96408105	(96,235)	-	1,009,611	(1,056,265)	(142,889)
Total U.S. Department of Environmental Protection			(96,235)	-	1,009,611	(1,056,265)	(142,889)
Total Federal Assistance			\$ (494,533)	\$ 29,485	\$ 1,439,638	\$ (1,959,294)	\$ (984,704)

* Major program

** Passed through to The Transportation Management Association Group

Note: All Federal financial assistance programs utilize the accrual basis of accounting.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Source/Grant Name	State Grant Number	Balance 6/30/2006 (Receivable) Unearned	Adjustments	Cash Receipts	Expenditures	Balance 6/30/07 (Receivable) Unearned
TENNESSEE DEPARTMENT OF TRANSPORTATION						
Mass Transit Grant	GG-07-20754-00**	\$ (190,674)	-	\$ 190,674	\$ (196,394)	\$ (196,394)
Mass Transit Grant	FTA 5309**	(13,686)	3,686	10,000	-	-
Mass Transit Grant	FTA 5309**	(10,810)	-	-	(75,851)	(86,661)
High Visibility Law Enforcement Campaigns	Z-07-035801-00	-	-	3,086	(3,236)	(150)
Enforcing Driver Safety	Z-07-036101-00	-	-	13,828	(26,390)	(12,562)
Total Tennessee Department of Transportation		(215,170)	3,686	217,588	(301,871)	(295,767)
TENNESSEE DEPARTMENT OF ECONOMIC & COMMUNITY DEVELOPMENT						
THP Grant-Biometrics	Z-02-008510-00	(127,924)	-	127,924	-	-
THP Grant-Community Health Systems		-	-	700,585	(700,585)	-
Total Tennessee Department of Economic and Community Development		(127,924)	-	828,509	(700,585)	-
TENNESSEE DEPARTMENT OF ENVIRONMENT AND CONSERVATION						
Local Parks and Recreation Fund		-	-	100,000	(100,000)	-
Architectural Survey of Franklin	GG-06-12036-00	-	-	7,361	(7,361)	-
Total Tennessee Department of Environment and Conservation		-	-	107,361	(107,361)	-
TENNESSEE EMERGENCY MANAGEMENT AGENCY						
Special Reimbursement	N/A	-	(14,187)	14,187	-	-
Total Tennessee Emergency Management Agency		-	(14,187)	14,187	-	-
Total State Financial Assistance		\$ (343,094)	\$ (10,501)	\$ 1,167,645	\$ (1,109,817)	\$ (295,767)

** Passed through to The Transportation Management Association Group

STATISTICAL SECTION

**CITY OF FRANKLIN, TENNESSEE
STATISTICAL SECTION DIVIDER PAGE**

This part of the City of Franklin, Tennessee’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, the note disclosures, and the required supplementary information says about the City’s overall financial health.

Contents:

Financial Trends	
These schedules contain trend information to help readers understand how the City’s financial performance and well-being have changed over time.	77
Revenue Capacity	
These schedules contain information to help readers assess the City’s revenue sources, including its most significant local tax sources, local sales tax and its property tax.	83
Debt Capacity	
These schedules present information to help readers assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	87
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help readers understand the environment within which the City’s financial activities take place.	92
Operating Information	
These schedules contain service and infrastructure data to help readers understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	94

Except where noted, the information in these schedules is derived from the City of Franklin, Tennessee’s, comprehensive annual financial reports for the relevant years. The City implemented GASB Statement 34 in 2003: Schedules presenting government-wide information include information beginning that year.

CITY OF FRANKLIN, TENNESSEE

**Financial Trends Information -
Net Assets By Component - Last Ten Fiscal Years***

(Prepared using the accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities:					
Investments in capital assets, net of related debt	\$ 227,460,958	\$ 254,632,992	\$ 274,575,227	\$ 314,309,351	\$ 360,565,368
Restricted for:					
Street maintenance and improvements	2,127,190	2,533,649	983,107	900,412	1,069,415
Other projects	3,619,122	1,690,759	233,836	295,536	381,491
Capital projects	4,313,516	4,881,853	9,041,671	-	-
Unrestricted	<u>33,778,923</u>	<u>27,146,454</u>	<u>28,382,567</u>	<u>34,680,258</u>	<u>46,966,317</u>
Total net assets	<u>\$ 271,299,709</u>	<u>\$ 290,885,707</u>	<u>\$ 313,216,408</u>	<u>\$ 350,185,557</u>	<u>\$ 408,982,591</u>
Business-type activities:					
Investments in capital assets, net of related debt	\$ 73,729,319	\$ 88,725,684	\$ 85,142,612	\$ 83,019,594	\$ 92,918,459
Unrestricted	<u>14,742,384</u>	<u>2,844,501</u>	<u>11,962,212</u>	<u>13,957,292</u>	<u>15,774,391</u>
Total net assets	<u>\$ 88,471,703</u>	<u>\$ 91,570,185</u>	<u>\$ 97,104,824</u>	<u>\$ 96,976,886</u>	<u>\$ 108,692,850</u>
Primary government:					
Investments in capital assets, net of related debt	\$ 301,190,277	\$ 343,358,676	\$ 359,717,839	\$ 397,328,945	\$ 453,483,827
Restricted for:					
Street maintenance and improvements	2,127,190	2,533,649	983,107	900,412	1,069,415
Other projects	3,619,122	1,690,759	233,836	295,536	381,491
Capital projects	4,313,516	4,881,853	9,041,671	-	-
Unrestricted	<u>48,521,307</u>	<u>29,990,955</u>	<u>40,344,779</u>	<u>48,637,550</u>	<u>62,740,708</u>
Total net assets	<u>\$ 359,771,412</u>	<u>\$ 382,455,892</u>	<u>\$ 410,321,232</u>	<u>\$ 447,162,443</u>	<u>\$ 517,675,441</u>

* As additional information becomes available it will be added to the above schedule until such time as ten years are presented.

CITY OF FRANKLIN, TENNESSEE
Financial Trends Information -
Changes in Net Assets - Last Ten Fiscal Years*

(Prepared using the accrual basis of accounting)

	2003	2004	2005	2006	2007
Governmental activities:					
Revenues:					
Program revenues:					
Charges for services	\$ 5,063,310	\$ 5,370,452	\$ 5,936,778	\$ 7,789,932	\$ 8,674,808
Operating grants & contributions	336,746	626,335	2,572,276	2,095,578	1,768,421
Capital grants & contributions	6,887,969	20,848,604	24,204,441	32,471,262	42,284,692
General revenues:					
Property taxes	9,028,390	8,649,772	9,059,834	9,880,639	9,832,508
Sales taxes	16,318,730	18,296,971	19,785,941	22,005,703	23,885,264
Other taxes and fees	9,498,782	11,371,386	12,928,838	19,154,473	25,589,305
Other	793,220	987,175	1,684,572	2,203,517	1,663,403
Total revenues	47,927,147	66,150,695	76,172,680	95,601,104	113,698,401
Expenses:					
General government:					
General government	2,939,314	7,057,964	8,716,441	12,312,610	4,976,177
Administration	1,257,132	1,400,291	944,626	1,195,689	1,250,834
City recorder	-	-	359,575	305,395	984,697
Public safety:					
Police	8,373,121	8,993,401	9,184,543	9,891,449	12,704,967
Fire	7,320,439	7,705,307	8,807,357	9,693,129	10,065,274
Highways and streets	8,927,633	9,364,145	12,218,546	8,846,698	12,825,296
Engineering	602,394	652,481	572,720	731,762	1,033,507
Storm water	435,724	550,338	574,611	682,426	1,160,588
Sanitation	3,442,603	3,975,139	5,285,255	6,068,689	5,909,657
Transit	-	-	-	-	1,112,289
Parks	814,733	981,303	1,132,484	1,370,912	744,627
Maintenance	707,600	-	302,014	278,848	381,635
Planning	894,430	815,881	908,806	1,009,100	1,079,229
Codes	243,031	1,036,270	1,188,400	1,340,976	1,735,274
Courts	523,293	162,170	182,322	197,477	241,389
Human resources	645,226	474,376	467,804	655,974	653,686
Channel 10	-	-	97,582	65,641	119,458
Finance	565,574	649,904	798,925	787,936	986,677
Legal	-	-	-	-	134,768
Purchasing	-	-	-	-	172,489
Municipal information and technology	733,372	884,066	995,098	1,569,736	2,808,228
Interest expense on long-term debt	-	732,798	967,929	1,605,208	2,116,737
Total expenses	38,425,619	45,435,834	53,705,038	58,631,655	63,197,483
Change in net assets	\$ 9,501,528	\$ 20,714,861	\$ 22,467,642	\$ 36,969,449	\$ 50,500,918
Business-Type activities:					
Revenues:					
Program revenues:					
Charges for services	\$ 11,823,949	\$ 11,801,510	\$ 12,506,189	\$ 13,183,105	\$ 13,651,464
Capital grants & contributions	2,124,976	4,705,522	6,530,477	3,371,583	6,477,369
General revenues:					
Other sources	248,211	(416,561)	410,630	868,311	820,123
Total revenues	14,197,136	16,090,471	19,447,296	17,422,999	20,948,956
Expenses:					
Water & sewer	12,484,641	12,991,989	13,912,657	17,173,845	17,378,465
Change in net assets	\$ 1,712,495	\$ 3,098,482	\$ 5,534,639	\$ 249,154	\$ 3,570,491

* As additional information becomes available it will be added to the above schedule until such time as ten years are presented.

Financial Trends Information -
Governmental Activities Tax Revenues by Source - Last Ten Fiscal Years *
 (Prepared using the accrual basis of accounting)

FISCAL YEAR	PROPERTY TAX	SALES TAX**	OTHER LOCALLY ASSESSED TAXES		OTHER STATE SHARED TAXES	ACCESS FEES AND TAXES	FRANCHISE TAXES	TOTAL
2003	\$ 9,028,390	\$ 16,318,730	\$ 3,935,582	\$ 2,928,772	\$ 1,980,805	\$ 653,623	\$ 34,845,902	
2004	9,179,871	18,296,971	4,174,461	2,964,207	2,869,683	832,936	38,318,129	
2005	9,059,834	19,785,941	4,688,680	3,516,481	3,738,116	985,561	41,774,613	
2006	9,880,639	22,005,703	5,967,635	4,009,498	7,880,884	1,296,456	51,040,815	
2007	9,832,508	23,885,264	6,214,878	6,933,602	11,029,975	1,410,850	59,307,077	

* As additional information becomes available it will be added to the above schedule until such time as ten years are presented.

** Local sales tax is the City's most significant revenue source. The local sales tax rate is 2.25%. The City receives half of the tax amount if the sale occurs inside the City. Local sales tax applies only to the first \$1,600 of a single article purchase of tangible personal property.

CITY OF FRANKLIN, TENNESSEE

**Financial Trends Information -
Fund Balances, Governmental Funds - Last Ten Fiscal Years**

(Prepared using the modified accrual basis of accounting)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 97,766	\$ 129,445	\$ 73,310	\$ 93,068	\$ 191,674	\$ 307,213	\$ 215,797	\$ 345,620	\$ 308,850	\$ 294,580
Unreserved	17,467,841	19,404,509	22,963,003	26,662,814	27,799,872	33,443,498	26,834,707	24,598,448	27,114,706	30,089,431
Total General Fund	<u>\$17,565,607</u>	<u>\$19,533,954</u>	<u>\$23,036,313</u>	<u>\$26,755,882</u>	<u>\$27,991,546</u>	<u>\$33,750,711</u>	<u>\$27,050,504</u>	<u>\$24,944,068</u>	<u>\$27,423,556</u>	<u>\$30,384,011</u>
All Other Governmental Funds										
Unreserved, reported in:										
Special Revenue Funds	4,325,600	5,887,820	6,619,513	8,939,589	7,807,918	6,440,706	7,415,502	8,098,682	13,712,834	13,407,693
Capital Project Fund	1,272,546	5,291,030	1,298,928	3,955,407	835,974	3,619,122	1,690,759	9,041,671	(1,216,204)	9,120,160
Permanent Fund	19,838	20,042	20,319	20,487	20,517	20,581	-	-	-	-
Total All Other Governmental Funds	<u>\$ 5,617,984</u>	<u>\$11,198,892</u>	<u>\$ 7,938,760</u>	<u>\$12,915,483</u>	<u>\$ 8,664,409</u>	<u>\$10,080,409</u>	<u>\$ 9,106,261</u>	<u>\$17,140,353</u>	<u>\$12,496,630</u>	<u>\$22,527,853</u>
Total Governmental Funds	<u>\$23,183,591</u>	<u>\$30,732,846</u>	<u>\$30,975,073</u>	<u>\$39,671,365</u>	<u>\$36,655,955</u>	<u>\$43,831,120</u>	<u>\$36,156,765</u>	<u>\$42,084,421</u>	<u>\$39,920,186</u>	<u>\$52,911,864</u>

CITY OF FRANKLIN, TENNESSEE
Financial Trends Information -
Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years
(Prepared using the modified accrual basis of accounting)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	\$ 19,589,004	\$ 22,034,053	\$ 24,490,539	\$ 26,478,027	\$ 27,999,376	\$ 30,305,997	\$ 32,989,084	\$ 35,475,678	\$ 40,358,863	\$ 43,954,432
Licenses and permits	2,336,841	3,275,342	2,565,049	3,031,534	2,367,557	2,382,078	3,743,087	4,619,746	6,908,558	6,532,260
Fines and fees	284,957	481,034	580,917	754,332	908,886	907,080	796,601	753,717	1,022,408	985,180
Charges for services	591,411	613,801	2,949,839	3,117,258	3,326,682	1,719,520	1,701,830	3,066,290	4,327,217	4,664,553
Intergovernmental	3,613,966	9,980,274	4,520,025	5,435,866	6,670,464	5,410,386	5,154,507	6,288,757	7,039,176	10,246,007
Uses of money and property	2,314,206	2,910,707	1,393,390	1,769,808	965,987	823,467	649,789	1,282,069	4,022,396	2,045,124
Miscellaneous	-	-	130,955	102,616	113,468	110,648	511,386	1,750,000	352,038	512,774
Total revenues	28,730,385	39,295,211	36,630,714	40,689,441	42,352,420	41,659,176	45,546,284	53,216,257	64,030,656	68,940,330
Expenditures										
General government	4,594,147	5,046,420	7,490,603	7,533,844	6,012,328	2,687,220	6,292,394	4,850,503	5,087,787	(215,294)
Administration	892,035	1,021,943	723,362	822,988	961,943	1,204,420	1,336,029	970,733	1,165,433	1,209,609
City recorder	-	-	-	-	-	-	-	338,697	302,844	969,927
Public safety:										
Police	6,821,669	7,585,342	4,493,884	5,060,189	6,500,586	7,910,616	8,382,149	8,804,570	9,435,821	11,979,814
Fire	-	-	4,045,442	4,654,125	5,779,931	7,249,441	7,546,098	8,418,860	8,897,622	11,109,551
Highways and streets	900,335	1,811,605	2,414,216	2,180,934	2,740,989	3,607,302	3,230,016	6,173,264	2,441,732	3,175,789
Engineering	251,740	280,921	454,186	710,164	885,480	549,049	554,525	567,196	688,975	852,251
Storm water	-	-	-	-	-	-	529,347	534,935	633,195	1,012,728
Sanitation	1,886,934	2,174,110	2,682,120	2,839,967	3,042,271	3,667,979	3,518,543	4,744,880	5,548,426	5,954,751
Transit	279,139	316,076	336,148	404,306	508,346	635,659	883,254	1,030,481	1,240,277	973,234
Parks	-	-	-	-	-	-	-	296,571	276,082	1,708,657
Maintenance	272,759	367,157	341,032	387,508	467,477	664,632	796,193	877,707	987,339	373,350
Planning	418,808	432,948	515,268	577,270	706,474	865,683	986,856	1,165,193	1,296,516	1,093,682
Codes	83,654	85,253	93,494	106,415	131,623	244,792	167,095	177,932	194,797	1,709,602
Courts	246,300	274,780	267,688	305,182	402,840	490,641	454,124	481,601	645,668	239,486
Human resources	-	-	429,111	477,450	-	-	-	86,550	84,048	640,239
Channel 10	-	-	-	-	553,807	635,514	724,989	746,855	737,586	105,768
Finance	-	-	-	-	-	-	-	-	-	845,587
Legal	-	-	-	-	-	-	-	-	-	123,775
Purchasing	-	-	-	-	-	-	-	-	-	164,113
Municipal information and technology	-	-	-	-	-	-	-	-	-	1,326,674
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	1,002,426	1,230,000	1,140,000	1,510,000	1,220,000	1,355,000	1,716,946	1,946,000	2,725,000	3,318,000
Interest	397,849	577,658	530,813	698,723	836,401	588,289	539,767	887,477	1,520,878	1,877,869
Other charges	6,729	227,622	1,679	1,541	265	541	147,236	122,055	74,417	243,294
Capital outlay	14,901,767	16,370,143	10,480,596	9,484,552	14,568,878	9,002,512	16,296,568	27,746,377	25,722,188	25,565,828
Total expenditures	32,956,291	37,801,978	36,439,642	37,755,158	45,319,639	41,842,186	54,667,183	71,614,534	70,510,362	76,338,294
Excess (deficiency) of revenues over (under) expenditures	(4,225,906)	1,493,233	191,072	2,934,283	(2,967,219)	(183,010)	(9,120,899)	(18,398,277)	(6,479,706)	(7,417,964)
Other financing sources (uses):										
Proceeds of long-term debt	-	4,315,468	-	4,500,000	4,557,476	5,000,000	9,770,000	26,967,194	4,315,468	20,356,658
Transfer to bond escrow agent	-	-	-	-	(4,612,476)	-	(7,836,391)	(2,504,317)	-	-
Operating transfers in	-	9,673,897	3,506,969	2,983,316	3,238,996	3,989,881	7,015,766	4,923,254	9,673,897	5,040,755
Operating transfers out	-	(9,673,897)	(3,506,969)	(2,983,316)	(3,238,996)	(3,093,959)	(7,015,766)	(4,923,254)	(9,673,897)	(5,040,755)
Total other financing sources (uses)	-	4,315,468	-	4,500,000	(55,000)	5,895,922	1,933,609	24,462,877	4,315,468	20,356,658
Net changes in fund balances	\$ (4,225,906)	\$ 5,808,701	\$ 191,072	\$ 7,434,283	\$ (3,022,219)	\$ 5,712,912	\$ (7,187,290)	\$ 6,064,600	\$ (2,164,238)	\$ 12,938,694
Debt service as a % of noncapital expenditures	7.79%	9.50%	6.44%	7.82%	6.69%	5.92%	6.27%	6.74%	9.65%	10.71%

CITY OF FRANKLIN, TENNESSEE

**Financial Trends Information -
General Governmental Tax Revenues by Source - Last Ten Fiscal Years**

(Prepared using the modified accrual basis of accounting)

FISCAL YEAR	PROPERTY TAX	SALES TAX*	BUSINESS TAX	ALCOHOLIC BEVERAGE TAXES **	FACILITIES		HOTEL/MOTEL		OTHER ***	TOTAL
					TAX		TAX			
1998	\$ 4,873,936	\$ 10,021,403	\$ 985,108	\$ 1,150,352	\$ 2,135,341	\$	\$ 203,862	\$	\$ 219,002	\$ 19,589,004
1999	5,747,924	11,129,822	1,155,804	1,208,658	2,266,019		241,885		283,941	22,034,053
2000	6,575,952	12,595,463	1,275,015	1,371,277	1,947,467		380,470		344,895	24,490,539
2001	7,104,574	13,962,912	1,341,386	1,528,846	1,706,713		437,678		395,918	26,478,027
2002	7,584,062	15,037,556	1,525,414	1,729,646	1,164,425		478,683		479,590	27,999,376
2003	7,861,996	16,318,730	2,011,630	1,923,952	1,169,533		504,278		515,878	30,305,997
2004	8,099,274	18,296,971	2,142,900	2,031,561	1,367,979		530,099		520,300	32,989,084
2005	8,571,710	19,785,941	1,697,570	2,108,144	1,857,164		878,988		576,161	35,475,678
2006	9,395,723	22,005,703	2,363,300	2,310,739	2,415,678		1,293,596		574,125	40,358,863
2007	9,726,100	23,885,264	2,777,563	2,465,375	3,616,202		1,424,754		59,174	43,954,432

* Local sales tax is the City's most significant revenue source. The local sales tax rate is 2.25%. The City receives half of the tax amount if the sale occurs inside the City. Local sales tax applies only to the first \$1,600 of a single article purchase of tangible personal property.

** Includes beer tax, beer privilege tax, wholesale liquor tax, liquor privilege tax, and mixed drink tax

*** Includes penalty and interest on property taxes, in lieu of taxes, and special assessments

CITY OF FRANKLIN, TENNESSEE

**Revenue Capacity Information -
Assessed Value and Estimated Actual Value of Taxable Property, Last Ten Years**

TAX YEAR	APPRAISED VALUE			TOTAL DIRECT TAX RATE*
	REAL AND PERSONAL PROPERTY	PUBLIC UTILITIES	TOTAL APPRAISED VALUE	
1997	\$ 2,187,316,867	\$ 41,222,696	\$ 2,228,539,563	\$ 0.69
1998	2,576,530,483	44,890,624	2,621,421,107	0.69
1999	2,996,974,813	43,381,296	3,040,356,109	0.69
2000	3,323,606,101	52,996,184	3,376,602,285	0.69
2001	4,313,677,179	70,761,193	4,384,438,372	0.55
2002	4,508,807,480	71,250,342	4,580,057,822	0.55
2003	4,704,994,349	66,414,458	4,771,408,807	0.55
2004	4,970,397,793	69,467,343	5,039,865,136	0.55
2005	5,514,330,572	69,464,614	5,583,795,186	0.55
2006	7,329,617,163	82,197,509	7,411,814,672	0.43

* Per \$100 of assessed valuation

Note: Property of the City is reappraised periodically. For this reason appraised value is considered equal to actual value.

CITY OF FRANKLIN, TENNESSEE

**Revenue Capacity Information -
Direct and Overlapping Property Tax Rates *, Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Direct Rate</u>		<u>Overlapping Rate</u>		<u>Total</u>
		<u>City</u>		<u>County **</u>	
1998	\$	0.69	\$	3.47	\$ 4.16
1999		0.69		3.47	4.16
2000		0.69		3.50	4.19
2001		0.69		3.55	4.24
2002		0.55		3.29	3.84
2003		0.55		3.03	3.58
2004		0.55		3.66	4.21
2005		0.55		3.48	4.03
2006		0.55		3.59	4.14
2007		0.43		3.03	3.46

* Per \$100 of assessed valuation

** Levied on County property within the City. Rate is applicable to City property located in the special school district; substantially all of the City's assessed property is in the special school district. Rates for property not in the special school district are as follows:

1998	\$	2.82
1999		2.82
2000		2.82
2001		2.82
2002		2.50
2003		2.50
2004		2.72
2005		2.72
2006		2.72
2007		2.20

CITY OF FRANKLIN, TENNESSEE

**Revenue Capacity Information -
Principal Property Taxpayers, Current Year and Nine Years Ago**

	1998		2007	
	ASSESSED VALUATION	PERCENT OF TOTAL VALUATION *	ASSESSED VALUATION	PERCENT OF TOTAL VALUATION **
<u>Taxpayer</u>				
<u>Ad Valorem Tax</u>				
Atmos Energy Corp	\$ 8,472,770	1.21%	\$ 15,106,651	0.67%
Bell South Telecommunications	4,788,501	0.68%	8,573,779	0.38%
Middle TN Electric Membership Corp	6,025,332	0.86%	7,886,226	0.35%
United Cities Gas				
<u>Real and Personal Property Tax</u>				
Galleria Associates	28,780,080	4.11%	36,411,360	1.61%
Williams W. Fred Trust			16,366,760	0.72%
Landings F C LP			15,861,235	0.70%
Wyndchase at Aspen Grove			14,784,000	0.65%
Williamson County Farmers Coop			12,138,030	0.54%
Franklin Cool Springs Corp			9,883,675	0.44%
Alara Franklin Corp			9,600,000	0.42%
Thoroughbred Village LLC			9,221,160	0.41%
Noble Investments - Cool Springs LLC			8,792,520	0.39%
Grupe Real Estate	14,749,720	2.11%		
Prime MFO/V Limited Partnership	8,840,200	1.26%		
CPS Industries	7,325,670	1.05%		
Williamson Square	6,680,980	0.96%		
Nukote, Inc.	5,694,489	0.81%		
Mercantile Properties	5,490,040	0.78%		
Cap-Tenn Associates	5,247,080	0.75%		
Southwind	5,189,220	0.74%		
Net Realty Holding Trust	4,965,840	0.71%		
First American Bank	4,669,101	0.67%		
Totals	\$ 116,919,023	16.72%	\$ 164,625,396	7.28%

* Total assessed valuation in 1998 (tax year 1997) is \$699,458,350.

** Total assessed valuation in 2007 (tax year 2006) is \$2,259,868,426.

CITY OF FRANKLIN, TENNESSEE

**Revenue Capacity Information -
Property Taxes Levies and Collections, Last Ten Fiscal Years**

FISCAL YEAR	TOTAL TAX LEVY	COLLECTED WITHIN TAX YEAR OF LEVY	PERCENT COLLECTED	COLLECTIONS IN		TOTAL COLLECTIONS	TOTAL COLLECTIONS AS PERCENT OF TOTAL LEVY	OUTSTANDING DELINQUENT TAXES	OUTSTANDING DELINQUENT TAXES AS PERCENT OF CURRENT LEVY
				SUBSEQUENT YEARS	YEARS				
1997	\$ 4,929,369	\$ 4,813,950	97.66%	\$	111,901	\$ 4,925,851	99.93%	\$ 169,411	3.44%
1998	6,520,819	5,555,003	85.19%		961,982	6,516,985	99.94%	204,611	3.14%
1999	6,520,819	6,393,394	98.05%		120,700	6,514,094	99.90%	216,898	3.33%
2000	7,161,095	6,944,372	96.97%		211,133	7,155,505	99.92%	278,161	3.88%
2001	7,596,518	7,398,178	97.39%		184,565	7,582,743	99.82%	283,314	3.73%
2002	7,874,904	7,660,107	97.27%		201,025	7,861,132	99.83%	311,709	3.96%
2003	8,134,453	7,970,209	97.98%		158,118	8,128,327	99.92%	269,270	3.31%
2004	8,619,512	8,468,288	98.25%		144,561	8,612,849	99.92%	261,835	3.04%
2005	9,328,587	9,152,371	98.11%		139,669	9,292,040	99.61%	271,362	2.91%
2006	9,611,622	9,435,282	98.17%	-		9,435,282	98.17%	276,072	2.87%

CITY OF FRANKLIN, TENNESSEE

Debt Capacity Information - Ratios of Outstanding Debt by Type, Last Ten Fiscal Years

FISCAL YEAR	POPULATION*	PERSONAL INCOME**	GENERAL OBLIGATION BONDS	PAYABLE		TOTAL PRIMARY GOVERNMENT	DEBT PER CAPITA	PERCENT OF PERSONAL INCOME
				FROM WATER & SEWER REVENUE & TAX BONDS	REVENUE & TAX BONDS			
1998	31,000	\$ 37,520	\$ 12,655,000	\$ 17,296,613	\$	\$ 29,951,613	\$ 966.18	2.58%
1999	34,105	39,094	17,685,000	16,617,746		34,302,746	1,005.80	2.57%
2000	41,842	40,660	16,250,000	15,331,931		31,581,931	754.79	1.86%
2001	41,842	41,364	19,240,000	15,459,057		34,699,057	829.29	2.00%
2002	41,842	41,470	18,115,000	20,957,005		39,072,005	933.80	2.25%
2003	41,842	42,707	21,760,000	45,856,640		67,616,640	1,616.00	3.78%
2004	46,416	45,538	22,450,000	44,195,000		66,645,000	1,435.82	3.15%
2005	46,416	47,712	45,016,194	41,315,000		86,331,194	1,859.94	3.90%
2006	49,412	47,712	46,586,662	39,350,000		85,936,662	1,739.19	3.65%
2007	49,412	47,712	63,580,258	37,310,000		100,890,258	2,041.82	4.28%

* Prior to 2000; City Estimates; 2000 and forward: Tennessee Certified Populations

** Personal Income is obtained from the U.S. Bureau of Economic Analysis Statistics. 2005 is most current figure available.

CITY OF FRANKLIN, TENNESSEE

**Debt Capacity Information -
Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years**

FISCAL YEAR	POPULATION*	APPRAISED VALUE	GENERAL OBLIGATION BONDS**	RATIO OF GENERAL OBLIGATION DEBT TO APPRAISED	NET GENERAL OBLIGATION DEBT PER CAPITA
1998	31,000	\$ 2,228,539,563	\$ 12,655,000	0.57%	\$ 408.23
1999	34,105	2,621,421,107	17,685,000	0.67%	518.55
2000	41,842	3,040,356,109	16,250,000	0.53%	388.37
2001	41,842	3,376,602,285	19,240,000	0.57%	459.83
2002	41,842	4,384,438,372	18,115,000	0.41%	432.94
2003	41,842	4,580,057,822	21,760,000	0.48%	520.05
2004	46,416	4,771,408,807	22,450,000	0.47%	483.67
2005	46,416	5,039,865,136	45,016,194	0.89%	969.84
2006	49,412	5,583,795,186	46,586,662	0.83%	942.82
2007	49,412	7,411,814,672	63,580,258	0.86%	1,286.74

*

**

Prior to 2000; City Estimates; 2000 and forward: Tennessee Certified Populations
Excludes compensated absences

CITY OF FRANKLIN, TENNESSEE

**Debt Capacity Information -
Direct and Overlapping Governmental Activities Debt
As of June 30, 2007**

<u>Jurisdiction</u>	<u>Net Bonded Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Estimated Share of Overlapping Debt</u>
City of Franklin	\$ 63,580,258	100.00%	\$ 63,580,258
Williamson County	434,270,000	36.66% *	159,203,382
Franklin Special School District	43,914,192	100.00% **	43,914,192
Total	<u>\$ 541,764,450</u>		<u>\$ 266,697,832</u>

* Based upon Assessed Value of Property in:

County	\$ 6,163,797,679
City	\$ 2,259,868,426

** All of the Special School District is located within the City of Franklin

CITY OF FRANKLIN, TENNESSEE

Debt Capacity Information -
Legal Debt Margin, Last Ten Years

Tax Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Assessed Value	\$ 699,458,350	\$ 816,853,998	\$ 940,825,800	\$ 1,037,036,295	\$ 1,381,145,006	\$ 1,433,680,138	\$ 1,478,940,190	\$ 1,551,200,437	\$ 1,696,054,165	\$ 2,259,868,426
General Obligation Debt	\$ 12,655,000	\$ 17,685,000	\$ 16,250,000	\$ 19,240,000	\$ 18,115,000	\$ 21,760,000	\$ 22,450,000	\$ 45,016,194	\$ 46,586,662	\$ 63,580,258
Debt as % of Assessed Value	1.81%	2.17%	1.73%	1.86%	1.31%	1.52%	1.52%	2.90%	2.75%	2.81%

Note - The City has no legal debt limit.

CITY OF FRANKLIN, TENNESSEE

**Debt Capacity Information -
Pledged-Revenue Coverage, Last Ten Fiscal Years**

Fiscal Year	Gross Revenues*	Contributions, Taps, & Access Fees	Direct Operating Expense**	Net Revenue Available for Debt Service	Debt Service Requirements		
					Principal	Interest	Total Coverage
1998	\$ 7,716,382	\$ 4,420,174	\$ 5,581,502	\$ 6,555,054	\$ 885,000	\$ 677,107	\$ 1,562,107 4.20
1999	8,728,654	4,630,760	6,278,475	7,080,939	785,000	698,841	1,483,841 4.77
2000	9,163,715	2,004,640	6,995,232	4,173,123	1,285,815	700,986	1,986,801 2.10
2001	11,384,314	1,727,362	7,304,724	5,806,952	1,500,000	746,095	2,246,095 2.59
2002	11,611,321	1,631,634	8,088,177	5,154,778	1,500,000	746,095	2,246,095 2.29
2003	12,202,987	1,972,391	9,072,951	5,102,427	1,370,000	822,734	2,192,734 2.33
2004	12,010,756	3,367,954	9,470,639	5,908,071	1,585,000	851,025	2,436,025 2.43
2005	12,964,822	5,617,974	9,738,762	8,844,034	2,201,850	1,302,931	3,504,781 2.52
2006	14,051,415	3,371,583	11,146,363	6,276,635	1,965,000	1,900,607	3,865,607 1.62
2007	14,549,921	6,477,369	11,370,863	9,656,427	2,040,000	1,757,609	3,797,609 2.54

* Includes nonoperating revenues

** Net of depreciation and amortization

CITY OF FRANKLIN, TENNESSEE

Demographic and Economic Information - Demographic and Economic Statistics, Last Ten Fiscal Years

Year	Population *	Personal Income **	Per Capita Personal Income	Education Level in		Unemployment Rate ****
				Schooling***	School Enrollment	
1998	31,000	\$ 1,163,120,000	\$ 37,520	N/A	N/A	1.60%
1999	34,105	1,333,300,870	39,094	N/A	N/A	1.90%
2000	41,842	1,701,295,720	40,660	N/A	8,082	2.50%
2001	41,842	1,730,752,488	41,364	N/A	8,269	2.80%
2002	41,842	1,735,187,740	41,470	N/A	8,094	3.30%
2003	41,842	1,786,946,294	42,707	N/A	7,816	3.40%
2004	46,416	2,113,691,808	45,538	13.9	8,961	3.30%
2005	46,416	2,214,600,192	47,712	N/A	9,150	3.50%
2006	49,412	2,357,545,344	47,712	N/A	9,667	2.60%
2007	49,412	2,357,545,344	47,712	N/A	9,523	3.80%

*

**

N/A

Prior to 2000; City Estimates; 2000 and forward: Tennessee Certified Populations

Personal Income is calculation of Population times Per Capita Personal Income

Williamson County Economic Development Council, 2004 for Adults Age 25 or Older

State of Tennessee for Williamson County

Not available

CITY OF FRANKLIN, TENNESSEE

Demographic and Economic Information - Principal Employers, Current Year and Nine Years Ago

Employer	1998			2007		
	Employees *	Rank	Percentage of Total City Employment	Employees **	Rank	Percentage of Total City Employment
Cool Springs Galleria Mall	3,500	1	12.16%	3,500	1	7.36%
Primus/Ford Motor Credit	1,700	2	5.90%	1,500	2	3.16%
Williamson Medical Center	600	4	2.08%	1,300	3	2.73%
Community Health Systems				800	4	1.68%
Lee Co.				520	5	1.09%
Civil Constructors, Inc.				500	6	1.05%
Affinion Group				470	7	0.99%
Medsolutions, Inc.				411	8	0.86%
Mars Petcare				375	9	0.79%
Lasko Metal Products, Inc.	350	6		350	10	0.74%
Apcom, Inc.	330	7	1.15%	325	11	0.68%
Southern Land				300	12	0.63%
CPS Corporation	650	3	2.26%			
Pelikan, Inc.	500	5	1.74%			
Georgia Boots	300	8	1.04%			
Precision Tubular	275	9	0.96%			
Total	8,205		27.28%	10,351		21.78%

* City's 1998 Comprehensive Annual Financial Report

** Williamson County Office of Economic Development

CITY OF FRANKLIN, TENNESSEE

**Operating Information -
Full-Time Equivalent City Government Employees by Function / Program, Last Ten Fiscal Years**

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Court	3	3	3	3	3	4	4	4	4	4
Administration	13	14	15	16	17	17	18	10	11	9
Legal	*	*	*	*	*	*	*	*	*	3
Recorder	*	*	*	*	*	*	*	7	7	11
Maintenance	*	*	*	*	*	*	*	5	5	5
Channel 10	*	*	*	*	*	*	*	1	1	1
MIT	*	*	*	*	*	9	9	9	10	14
Finance	8	10	11	11	10	10	11	11	11	11
Purchasing	*	*	*	*	*	*	*	*	*	2
Engineering	5	5	7	7	9	7	7	8	9	12
HR	5	5	5	5	5	5	5	5	6	6
Planning	7	7	7	7	8	9	9	9	11	12
Codes	13	13	15	15	16	17	18	20	23	25
Police	102	109	117	122	130	136	141	151	160	169
Fire	81	88	108	113	116	119	131	138	142	156
Streets	26	28	32	33	35	39	41	46	46	52
Parks	9	10	10	10	9	11	14	15	18	20
Sanitation	34	36	39	41	42	42	46	49	51	53
Water & Sewer	55	64	64	64	70	75	75	74	83	79
TOTAL	361	392	433	447	470	500	529	562	598	644

* Departments did not exist during the years noted.

CITY OF FRANKLIN, TENNESSEE

**Operating Information -
Operating Indicators by Function / Program, Last Ten Fiscal Years**

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Calls for service	46,415	50,364	47,465	51,050	57,460	52,539	52,640	54,560	62,600	55,400
Fire										
Number of alarms	2,503	2,993	3,048	3,512	3,621	3,897	4,245	4,876	4,952	5,200
Sanitation										
Landfill usage	26,500	27,800	29,200	29,700	30,000	32,223	33,437	52,395	76,319	79,121
Codes										
Single family permits	866	910	494	590	682	726	846	903	850	780
Water										
Average daily usage	4,993,027	5,678,847	6,072,292	6,502,092	5,619,549	6,100,548	5,797,010	4,529,169	6,035,953	6,066,378
Water storage capacity (gallons)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000

Source: City of Franklin departments

CITY OF FRANKLIN, TENNESSEE

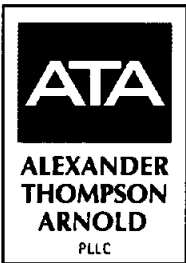
**Operating Information -
Capital Asset Statistics by Function / Program, Last Ten Fiscal Years**

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles (radio equipped)	81	88	86	95	95	113	119	127	139	131
Fire										
Fire stations	4	4	5	5	5	5	5	5	5	5
Fire trucks	9	11	12	12	12	12	12	14	15	17
Fire hydrants	1,283	1,537	1,750	1,826	1,950	1,953	1,975	1,981	1915 *	1916 *
Street										
Streets (miles)	170	199	201	207	211	212	235	250	275	290
Parks										
Number of parks	4	4	4	4	6	6	6	6	6	9
(Three additional parks are under development: Bicentennial Park, Harlinsdale Park, and Eastern Flank Battlefield Park.)										
Water										
Water lines (miles)	209	221	231	295	298	298	300	301	275 *	285 *
Sewer lines (miles)	185	197	205	214	218	219	223	227	311 *	328 *

Source: City of Franklin departments

* Methodology changed to obtain this information from City's GIS system.

INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

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Report on Internal Control over
Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with *Government Auditing Standards*

Board of Mayor and Aldermen
City of Franklin, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Tennessee (the City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management and employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-01, 07-02, 07-03, 07-04, 07-05, 07-06, 07-07, and 07-08 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

Milan, TN
McKenzie, TN
Paris, TN
Trenton, TN
Union City, TN

Board of Mayor and Aldermen
City of Franklin, Tennessee

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-02, 07-03, and 07-05 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 07-06, 07-07, and 07-08.

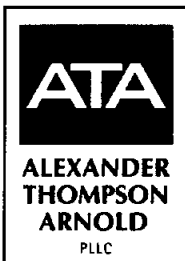
We also noted certain matters that we reported to management of the City in a separate letter dated November 26, 2007.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended for the information of the Board of Mayor and Aldermen, management, federal awarding agencies and pass-through entities and the Comptroller of the Treasury, State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Alexander Hopson", followed by a stylized flourish or set of initials.

Certified Public Accountants
Jackson, Tennessee
November 27, 2007



Certified Public Accountants

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Report on Compliance with Requirements
Applicable to Each Major Program and on
Internal Control over Compliance Required
by OMB Circular A-133

Board of Mayor and Aldermen
City of Franklin, Tennessee

Compliance

We have audited the compliance of the City of Franklin, Tennessee (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 07-06, 07-07, and 07-08.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

Milan, TN
McKenzie, TN
Paris, TN
Trenton, TN
Union City, TN

Board of Mayor and Aldermen
City of Franklin, Tennessee

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-06, 07-07, and 07-08 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board of Mayor and Aldermen, management, federal awarding agencies and pass-through entities and the Comptroller of the Treasury, State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountants

Jackson, TN

November 26, 2007

CITY OF FRANKLIN TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Type of auditors' report issued: Unqualified
 Internal control over financial reporting:
 Material weaknesses identified? X yes no
 Significant deficiencies identified not considered
 to be material weaknesses? X yes none reported
 Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal Control over major programs:
 Material weaknesses identified? yes X no
 Significant deficiencies identified not considered
 to be material weaknesses? X yes none reported

Type of auditors' report issued on compliance
 for major programs: Unqualified

Any audit findings disclosed that are required
 to be reported in accordance with Circular
 A-133, Section .510(a)? X yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Ride Share Program/CMAQ Grant
20.500	Transit Facilities Grant
20.507	Transit Facilities Grant
66.606	EPA Drainage Grant

Dollar threshold used to distinguish between
 Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes X no

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont.)
 JUNE 30, 2007

SECTION II - FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

There were no prior year findings.

Current Year Findings – City of Franklin, Tennessee

07-01 Failure to Charge Proper Permit Rates on Townhouse Construction (Significant Deficiency)

Condition: While testing a sample of thirty building permits, it was noted on the five townhouses that were sampled that the City was not deducting the normal 6% from the estimated sales price to calculate the permit.

Criteria: Per discussion with the Director of Codes Administration, the City has an internal policy that allows for a 6% reduction in the estimated sales price of a building before calculating any permit costs.

Effect: If the City has a policy to allow the 6% reduction, then the townhouse builders have been overcharged on their permit fees. However, we could not find any mention of a 6% reduction in sales price in the City's Municipal Code and therefore are not certain whether this is a valid policy.

Recommendation: We recommend that the City evaluate whether the 6% reduction is a board approved policy and if not, then adjust the way the builders are being charged for building permits. If it is an approved policy then all builders should be charged according to the policy

07-02 Failure to Conduct Inventory Count in the Street Department at Year End (Material Weakness)

Condition: While performing inventory observations for the City on July 2nd, it was determined that the street department had not performed an inventory count at year end.

Criteria: Inventory must be counted at year end to determine an accurate balance to be recorded on the general ledger.

Effect: When an inventory count is not performed, there is no way to adjust the carrying value of the City's inventory to the true balance at year end.

Recommendation: We recommend that an inventory count is performed in all departments of the City at year end.

07-03 Failure to Record Capital Contributions from Developers at the Time of Contribution (Material Weakness)

Condition: While testing capital assets it was noted that contributed infrastructure from developers was not recorded on the depreciation schedule throughout the year as development phases were completed.

Criteria: The addition of capital assets to the depreciation schedule and the City's records should be recorded at the time the City takes ownership of the infrastructure.

Effect: When infrastructure additions are not recorded as received or built, it results in a misstatement of capital assets. In the current year there were adjustments made to prior financial statements totaling \$4,005,655 due to unrecorded capital contributions and \$7,642,755 due to unrecorded infrastructure in prior years. Also at year end all current year capital contributions were not recorded on the fixed asset schedules which led to additional time being needed for the audit process.

Recommendation: We recommend that a system be put in place so that the Water/Sewer Department, Engineering, Street Department, and Planning work together to determine when infrastructure additions from capital contributions be recorded. At the point in which the City takes over maintenance of a road or right of way and the point when water/sewer connections are made, the City has ownership of the infrastructure asset and it should be recorded on the books.

07-04 Failure to Follow Purchase Card Policies (Significant Deficiency)

Condition: While testing purchase card transactions, it was noted that an approved official was not always comparing actual invoices to the purchase card system to determine that the costs were in compliance with the purchase card policy.

Criteria: The purchase card policy is very detailed about what expenses are allowable as well as what should be submitted for documentation.

Effect: When invoices and receipts are not examined and compared to the purchase card system, the City is at risk to incur unallowable and excess expenditures. During 2007 there were multiple cases noted where summary receipts were turned in, handwritten receipts were turned in, upgraded airline tickets were purchased, and there was no notation made of who was eating at a restaurant.

Recommendation: We recommend that all employees of the City follow the purchase card policy in place in regards to documentation required for purchase card usage. We further recommend that a designated official be responsible in each department for physically comparing invoices to the purchase card system to determine that all expenditures are allowable by the policy.

07-05 Investments were Carried on the Books at Cost (Material Weakness)

Condition: While testing investments it was determined that investments were being carried at cost rather than fair market value.

Criteria: GASB Statement 31 required investments to be recorded at fair market value on the City's financial statements rather than carrying the investments at cost.

Effect: The City's investments were understated by the amount of unrealized gains on the investments.

Recommendation: We recommend that the City periodically adjust investment to fair market value.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

07-06 Requests for Reimbursements (Significant Deficiency)

Condition: Requests for reimbursement were not submitted for the Transit Authority grant. The City had not been reimbursed for any costs associated with this grant at the time of the audit.

Criteria: Uniform administrative requirements for federal grants require adequate controls over grant accounting and period of availability. These general requirements mandate that grant projects be conducted in a timely manner.

Effect: The failure to request grant funds in a timely manner resulted in the City temporarily financing the entire transit project. Failure to perform grant administration in a timely manner could result in loss of federal funds in some cases; however, this particular grant did not have an expiration date according to information obtained from one of the federal grant analyst working on the project.

Recommendation: The City of Franklin should centralize the oversight of federal grant projects. Personnel given this responsibility should be knowledgeable of various federal cost circulars and provide communication between the departments receiving the grants and the finance department.

07-07 Federal Grant Reporting (Significant Deficiency)

Condition: Request for reimbursement reports submitted to the Environmental Protection Agency (EPA) was not completed correctly, resulting in excess funds being requested. In addition, the final report on the grant project was not submitted in a timely manner.

Criteria: Uniform administrative requirements for federal grants require adequate controls over reporting, grant closeout, and period of availability. These general requirements mandate that grant projects be conducted in a timely manner and that federal grant reports be completed correctly.

Effect: Requesting excess federal funds could result in errors in accounting for grant revenue and receivables. The untimely closeout of grant projects could result in loss of grant funds as a result of the grant period expiring. For example EPA is currently holding the last payment on this grant due to the project not being complete. The project was substantially complete in December 2006; however, the work needed to complete the project had not been done at the time the audit was performed.

Recommendation: The City of Franklin should centralize the oversight of federal grant projects. Personnel given this responsibility should be knowledgeable of various federal cost circulars and provide communication between the departments receiving the grants and the finance department.

07-08 Compliance with Davis Bacon Act (Prevailing Wages) (Significant Deficiency)

Condition: The City nor the consultant hired by the City obtained and reviewed certified payroll reports from the contractor on the Transit Authority building project to ensure compliance with the Davis Bacon Act as required by federal grant regulations.

Criteria: Office of Management (OMB) Circular A-102 and other applicable grant regulations require that contractors on certain federally funded grant projects pay construction workers a minimum wage rate for the job classification and the geographic location of the project as determined by the United States Department of Labor. Recipients of affected federal grants are required to monitor contractor certified payrolls, DOL wage rates, and other requirements throughout the grant project.

Effect: Failure to ensure that contractors pay the minimum prevailing wages could result in the City incurring additional expenses to become grant compliant.

Recommendation: The City of Franklin should ensure that applicable grant requirements related to prevailing wages is being monitored on federally funded construction projects. This could be performed by City personnel or included as a requirement in the contract with the project consultant. Centralization of federal grant oversight would also assist in Davis Bacon compliance.

CORRECTIVE ACTION PLAN

The City of Franklin, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2007.

Name and address of independent public accounting firm:

Alexander Thompson Arnold PLLC
227 Oil Well Road
Jackson, TN 38305

Audit period:

June 30, 2007

The findings from the June 30, 2007, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

07-01 Failure to Charge Proper Permit Rates on Townhouse Construction (Significant Deficiency)

Recommendation: We recommend that the City evaluate whether the 6% reduction is a board approved policy and if not, then adjust the way the builders are being charged for building permits. If it is an approved policy then all builders should be charged according to the policy

Action Taken: The management of the City of Franklin concurs with this recommendation. A review by management is underway to determine appropriate corrective action.

07-02 Failure to Conduct Inventory Count in the Street Department at Year End (Material Weakness)

Recommendation: We recommend that an inventory count is performed in all departments of the City at year end.

Action Taken: The management of the City of Franklin concurs. Management and staff have been made aware of the year end timing requirement for subsequent years.

07-03 Failure to Record Capital Contributions from Developers at the Time of Contribution (Material Weakness)

Recommendation: We recommend that a system be put in place so that the Water/Sewer Department, Engineering, Street Department, and Planning work together to determine when infrastructure additions from capital contributions be recorded. At the point in which the City takes over maintenance of a road or right of way and the point when water/sewer connections are made, the City has ownership of the infrastructure asset and it should be recorded on the books.

Action Taken: The management of the City of Franklin concurs. Management and staff of the above departments met and agreed that new contributions will be identified with an ownership date and valuation for recording purposes.

07-04 Failure to Follow Purchase Card Policies (Significant Deficiency)

Recommendation: We recommend that all employees of the City follow the purchase card policy in place in regards to documentation required for purchase card usage. We further recommend that a designated official be responsible in each department for physically comparing invoices to the purchase card system to determine that all expenditures are allowable by the policy.

Action Taken: The management of the City of Franklin concurs. The City's purchasing department has met with management and staff in all City departments and reviewed the consequences of failure to follow purchase card policy. Each department has purchase agents and approvers who are responsible for reviewing purchases for compliance.

07-05 Investments were Carried on the Books at Cost (Material Weakness)

Recommendation: We recommend that the City periodically adjust investment to fair market value.

Action Taken: The management of the City of Franklin concurs. Recording investments by cost was in error and immediately corrected after discovery. Finance staff will periodically record adjustments of investments to fair market value.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**07-06 Requests for Reimbursements (Significant Deficiency)**

Recommendation: The City of Franklin should centralize the oversight of federal grant projects. Personnel given this responsibility should be knowledgeable of various federal cost circulars and provide communication between the departments receiving the grants and the finance department.

Action Taken: The management of the City of Franklin concurs. Administration of grants has been decentralized due to department expertise in the areas which the grants pertain. The Finance Department has in its fiscal year 2008 budget a financial analyst position specified to serve as a liaison to grant staff in the departments.

07-07 Federal Grant Reporting (Significant Deficiency)

Recommendation: The City of Franklin should centralize the oversight of federal grant projects. Personnel given this responsibility should be knowledgeable of various federal cost circulars and provide communication between the departments receiving the grants and the finance department.

Action Taken: The management of the City of Franklin concurs. Administration of grants has been decentralized due to department expertise in the areas which the grants pertain. The Finance Department has in its fiscal year 2008 budget a financial analyst position specified to serve as a liaison to grant staff in the departments.

07-08 Compliance with Davis Bacon Act (Prevailing Wages) (Significant Deficiency)

Recommendation: The City of Franklin should ensure that applicable grant requirements related to prevailing wages is being monitored on federally funded construction projects. This could be performed by City personnel or included as a requirement in the contract with the project consultant. Centralization of federal grant oversight would also assist in Davis Bacon compliance.

Action Taken: The management of the City of Franklin concurs. Administration of grants has been decentralized due to department expertise in the areas which the grants pertain. The Finance Department has in its fiscal year 2008 budget a financial analyst position specified to serve as a liaison to grant staff in the departments. Providing this as a contract requirement with the project consultant is a likely course of action.